



STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2015

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Comprehensive Annual Financial Report of the State of Illinois for the year ended June 30, 2015 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2015 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and OMB Circular A-133.

Auditors' Reports

The auditors' report on compliance and on internal control applicable to each major program contains a disclaimer of an opinion and qualifications for the following programs:

Disclaimer:

Foster Care – Title IV-E

Qualified (Noncompliance):

Supplemental Nutrition Assistance Program Cluster

Employment Services Cluster

Unemployment Insurance

Highway Planning and Construction Cluster

Title I – Grants to Local Educational Agencies

Special Education Cluster (IDEA)

Career and Technical Education – Basic Grants to States

Twenty-First Century Community Learning Centers

Improving Teacher Quality State Grants

School Improvement Grants Cluster

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

Temporary Assistance for Needy Families Cluster

Adoption Assistance

Children's Health Insurance Program

Medicaid Cluster

Block Grants for Prevention and Treatment of Substance Abuse

Summary of Audit Findings

	<u>This audit</u>	<u>Prior audit</u>
Number of audit findings:		
This audit	75	69
Repeated audit findings	51	47
Prior findings implemented or not repeated	18	27



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**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,
*Audits of States, Local Governments, and Non-Profit Organizations***

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Schedule of Expenditures of Federal Awards

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Also as described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program Audit Guide*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2016 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

Chicago, Illinois
April 12, 2016

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 197	\$ 122
Voluntary Public Access and Habitat Incentive Program	10.093	244	208
Market News	10.153	4	-
Market Protection and Promotion	10.163	90	-
Specialty Crop Block Grant Program - Farm Bill	10.170	449	390
Organic Certification Cost Share Programs	10.171	89	41
Rural Community Development Initiative	10.446	61	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	6,872	-
Cooperative Extension Service	10.500	6	-
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	* \$ 3,293,989	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	* 98,543	4,680
Total SNAP Cluster			3,392,532
Child Nutrition Cluster:			
School Breakfast Program	10.553	* 131,139	130,488
National School Lunch Program	10.555	* 506,696	505,270
Special Milk Program for Children	10.556	* 2,449	2,449
Summer Food Service Program for Children	10.559	* 14,062	13,491
Total Child Nutrition Cluster			654,346
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	* 211,940	203,291
Child and Adult Care Food Program	10.558	* 146,991	145,397
State Administrative Expenses for Child Nutrition	10.560	7,402	-
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565	6,437	6,274
Emergency Food Assistance Program (Administrative Costs)	10.568	3,353	2,546
Emergency Food Assistance Program (Food Commodities)	10.569	20,740	20,740
Total Food Distribution Cluster			30,530
WIC Farmers' Market Nutrition Program (FMNP)	10.572	238	35
Team Nutrition Grants	10.574	101	74
Senior Farmers Market Nutrition Program	10.576	567	-
Child Nutrition Discretionary Grants Limited Availability	10.579	703	701
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	245	-
Fresh Fruit and Vegetable Program	10.582	4,256	4,252
Cooperative Forestry Assistance	10.664	908	277
Forest Service Schools and Roads Cluster:			
Schools and Roads Grants to States	10.665	278	278
Total Forest Service Schools and Roads Cluster			278
Urban and Community Forestry Program	10.675	182	182
Forest Legacy Program	10.676	17	-
Forest Stewardship Program	10.678	990	-
Forest Health Protection	10.680	111	95
Soil and Water Conservation	10.902	710	-
Wildlife Habitat Incentive Program	10.914	1	-
U.S. Department of Agriculture Total		\$ 4,461,060	\$ 1,041,281
U.S. Department of Commerce			
Interjurisdictional Fisheries Act of 1986	11.407	\$ 4	\$ 4
Coastal Zone Management Administration Awards	11.419	2,360	1,675
State and Local Implementation Grant Program	11.549	407	264
U.S. Department of Commerce Total		\$ 2,771	\$ 1,943
U.S. Department of Defense			
Procurement Technical Assistance For Business Firms	12.002	\$ 562	\$ 401
Payments to States in Lieu of Real Estate Taxes	12.112	1,054	1,054
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	473	-
Military Construction, National Guard	12.400	27,719	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	17,248	-
National Guard Challenge Program	12.404	4,781	-
Troops to Teachers/Spouses to Teachers	12.xxx	177	-
U.S. Department of Defense Total		\$ 52,014	\$ 1,455

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Housing and Urban Development			
CDBG - State-Administered Small Cities Program:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	* \$ 33,971	\$ 30,674
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Loans	14.228	* 56,860	-
Total CDBG - State-Administered Small Cities Program		\$ 90,831	
Emergency Solutions Grant Program	14.231	4,864	4,726
Supportive Housing Program	14.235	65	-
Housing Opportunities for Persons with AIDS	14.241	712	712
Fair Housing Assistance Program - State and Local	14.401	834	-
U.S. Department of Housing and Urban Development Total		\$ 97,306	\$ 36,112
U.S. Department of Interior			
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining			
	15.250	\$ 3,740	\$ -
Abandoned Mine Land Reclamation (AMLR) Program	15.252	14,949	-
Fish and Wildlife Cluster:			
Sport Fish Restoration Program	15.605	\$ 4,440	3,193
Wildlife Restoration and Basic Hunter Education	15.611	17,401	2,861
Total Fish and Wildlife Cluster		21,841	
Fish and Wildlife Management Assistance	15.608	38	33
Cooperative Endangered Species Conservation Fund	15.615	115	111
Clean Vessel Act Program	15.616	43	-
Sortfishing and Boating Safety Act	15.622	158	158
Enhanced Hunter Education and Safety Program	15.626	148	-
Partners for Fish and Wildlife	15.631	57	56
State Wildlife Grants	15.634	1,651	1,002
Research Grant (Generic)	15.650	1	1
Endangered Species Conservation Recovery Implementation Funds	15.657	45	45
Great Lakes Restoration	15.662	4,943	2,144
Historic Preservation Fund Grants-In-Aid	15.904	1,136	102
Outdoor Recreation-Acquisition, Development and Planning	15.916	2,315	2,315
U.S. Department of Interior Total		\$ 51,180	\$ 12,021
U.S. Department of Justice			
Sexual Assault Services Formula Program	16.017	\$ 432	\$ 373
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	(17)	-
Juvenile Accountability Block Grants	16.523	1,583	1,364
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	276	207
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2,303	1,858
Missing Children's Assistance	16.543	471	-
State Justice Statistics Program for Statistical Analysis Centers	16.550	65	-
National Criminal History Improvement Program (NCHIP)	16.554	(5)	-
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560	165	-
Crime Victim Assistance	16.575	16,683	15,553
Crime Victim Compensation	16.576	3,316	-
Violence Against Women Formula Grants	16.588	4,837	4,172
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	256	188
Residential Substance Abuse Treatment for State Prisoners	16.593	457	29
State Criminal Alien Assistance Program	16.606	3,975	-
Project Safe Neighborhoods	16.609	385	228
Public Safety Partnership and Community Policing Grants	16.710	55	-
Enforcing Underage Drinking Laws Program	16.727	(58)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	8,945	6,021
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grant to State and Territories	16.803	28	-
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	10	-
DNA Backlog Reduction Program	16.741	2,464	41
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	252	56

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Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Justice, continued			
Edward Byrne Memorial Competitive Grant Program	16.751	212	136
Harold Rogers Prescription Drug Monitoring Program	16.754	109	-
Second Chance Act Reentry Initiative	16.812	341	266
NICS Act Record Improvement Program	16.813	926	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	77	-
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	363	356
Equitable Sharing Program	16.922	477	-
U.S. Department of Justice Total		\$ 49,383	\$ 30,848
U.S. Department of Labor			
Labor Force Statistics	17.002	\$ 2,756	\$ -
Compensation and Working Conditions	17.005	228	-
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	* \$ 24,664	246
Disabled Veterans' Outreach Program (DVOP)	17.801	* 3,514	-
Local Veterans' Employment Representative Program	17.804	* 2,561	-
Total Employment Service Cluster			30,739
Unemployment Insurance	17.225	* 1,968,267	-
Senior Community Service Employment Program	17.235	3,106	2,788
Trade Adjustment Assistance	17.245	6,847	4,951
Workforce Investment Act Cluster:			
WIA/WIOA Adult Program	17.258	* 34,795	32,936
WIA/WIOA Youth Activities	17.259	* 37,054	35,072
WIA/WIOA Dislocated Worker Formula Grants	17.278	* 52,324	46,442
Total Workforce Investment Act Cluster			124,173
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	363	89
Work Opportunity Tax Credit Program (WOTC)	17.271	525	-
Temporary Labor Certification for Foreign Workers	17.273	518	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	2,792	2,653
WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	71	-
Workforce Innovation Fund	17.283	3,983	3,025
Occupational Safety and Health - State Program	17.503	798	-
Consultation Agreements	17.504	1,460	-
Mine Health and Safety Grants	17.600	256	-
U.S. Department of Labor Total		\$ 2,146,882	\$ 128,202
U.S. Department of Transportation			
Airport Improvement Program	20.106	* \$ 57,753	\$ 22,563
Highway Research and Development Program	20.200	132	-
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	* \$ 1,671,858	225,915
ARRA - Highway Planning and Construction	20.205	* 627	65
Recreational Trails Program	20.219	* 1,831	-
Total Highway Planning and Construction Cluster			1,674,316
National Motor Carrier Safety	20.218	8,281	-
Performance and Registration Information Systems Management	20.231	79	-
Commercial Driver's License Program Improvement Grant	20.232	54	-
High-Speed Rail Corridors and Intercity Passenger Rail Service			
Capital Assistance Grants (High Speed Rail Grants):			
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 31,580	-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 190,295	35,679
Total High-Speed Rail Grants			221,875
Rail Line Relocation and Improvement	20.320	955	858
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	2,214	2,214
Total Federal Transit Cluster			2,214
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	6,175	6,016

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
<u>U.S. Department of Transportation, continued</u>			
Formula Grants for Rural Areas:			
Formula Grants for Rural Areas	20.509	16,287	11,710
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	3,993	3,901
Total Formula Grants for Rural Areas			20,280
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	5,377	-
Job Access and Reverse Commute Programs	20.516	820	631
New Freedom Program	20.521	345	303
Total Transit Services Programs Cluster			6,542
Highway Safety Cluster:			
State and Community Highway Safety	20.600	6,860	3,752
Occupant Protection Incentive Grants	20.602	218	-
State Traffic Safety Information System Improvements Grants	20.610	705	121
Incentive Grant Program to Prohibit Racial Profiling	20.611	110	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	-	-
National Priority Safety Programs	20.616	6,065	3,060
Total Highway Safety Cluster			13,958
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants			
Pipeline Safety Program State Base Grant	20.700	1,857	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	1,059	822
ARRA - Surface Transportation - Discretionary Grants for Capital Investment	20.932	3,268	706
National Infrastructure Investments	20.933	11,643	2,399
U.S. Department of Transportation Total		\$ 2,030,563	\$ 320,715
<u>Equal Employment Opportunity Commission</u>			
Equal Discrimination State and Local Fair Employment 30.EECN110078	30.xxx	\$ 1,449	\$ -
Equal Employment Opportunity Commission Total		\$ 1,449	\$ -
<u>General Services Administration</u>			
Election Reform Payments	39.011	\$ 17	\$ -
General Services Administration Total		\$ 17	\$ -
<u>National Endowment for the Arts</u>			
Promotion of the Arts - Partnership Agreements	45.025	\$ 920	\$ 813
Grants to States	45.310	6,111	4,088
National Leadership Grants	45.312	42	-
Laura Bush 21st Century Librarian Program	45.313	425	274
National Endowment for the Arts Total		\$ 7,498	\$ 5,175
<u>U.S. Small Business Administration</u>			
Small Business Development Center	59.037	\$ 3,990	\$ 2,778
State Trade and Export Promotion Pilot Grant Program	59.061	118	-
U.S. Small Business Administration Total		\$ 4,108	\$ 2,778
<u>U.S. Department of Veterans Affairs</u>			
Veterans State Domiciliary Care	64.014	\$ 398	\$ -
Veterans State Nursing Home Care	64.015	36,437	-
All-Volunteer Force Educational Assistance	64.124	1,215	-
U.S. Department of Veterans Affairs Total		\$ 38,050	\$ -
<u>U.S. Environmental Protection Agency</u>			
State Indoor Radon Grants	66.032	\$ 286	\$ 240
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act			
State Clean Diesel Grant Program	66.034	1,156	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.040	84	-
State Underground Water Source Protection	66.419	269	168
Water Quality Management Planning	66.433	246	-
Clean Water State Revolving Fund Cluster:	66.454	724	460
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 100,206	100,079
Total Clean Water State Revolving Fund Cluster			100,206

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Environmental Protection Agency, Continued			
Nonpoint Source Implementation Grants	66.460	4,913	3,325
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	40,865	39,035
Total Drinking Water State Revolving Fund Cluster		40,865	
Great Lakes Program	66.469	1,071	603
Beach Monitoring and Notification Program Implementation Grants	66.472	237	110
Performance Partnership Grants	66.605	23,724	944
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	24	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	61	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	89	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	4,199	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	974	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,916	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	64	-
State and Tribal Response Program Grants	66.817	837	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	442	374
Environmental Education Grants	66.951	9	-
U.S. Environmental Protection Agency Total		\$ 182,396	\$ 145,338
U.S. Department of Energy			
State Energy Program:			
State Energy Program	81.041	\$ 1,013	\$ 479
ARRA - State Energy Program	81.041	2,341	2,341
ARRA - State Energy Program - Clean Energy Trust Loans	81.041	1,000	-
Total State Energy Program		\$ 4,354	
Weatherization Assistance for Low-Income Persons:			
Weatherization Assistance for Low-Income Persons	81.042	14,740	13,694
ARRA - Weatherization Assistance for Low-Income Persons	81.042	(17)	-
Total Weatherization Assistance for Low-Income Persons		14,723	
ARRA - Renewable Energy Research and Development	81.087	323	-
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant:			
State and Tribal Concerns, Proposed Solutions	81.106	35	-
State Energy Program Special Projects	81.119	202	202
U.S. Department of Energy Total		\$ 19,637	\$ 16,716
U.S. Department of Education			
Adult Education - Basic Grants to States	84.002	\$ 19,079	\$ 17,296
Title I Grants to Local Educational Agencies	84.010 *	613,109	609,690
Migrant Education - State Grant Program	84.011	2,102	2,086
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1,436	-
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027 *	\$ 491,880	480,012
Special Education - Preschool Grants	84.173 *	16,306	15,670
Total Special Education Cluster (IDEA)		508,186	
Federal Family Education Loans - (Guaranty Agencies) Program:			
Federal Family Education Loan Program	84.032G *	163,086	-
Federal Family Education Loan Program - Loans	84.032G *	5,059,643	-
Total Federal Family Education Loans - (Guaranty Agencies) Program		5,222,729	
Career and Technical Education -- Basic Grants to States	84.048 *	36,924	34,923
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126 *	116,262	27,907
Rehabilitation Services - Service Projects	84.128	137	137
Migrant Education - Coordination Program	84.144	71	36
Rehabilitation Services - Client Assistance Program	84.161	122	14
Independent Living - State Grants	84.169	1,078	703
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177	996	996
Special Education-Grants for Infants and Families	84.181	16,890	-
Safe and Drug-Free Schools and Communities National Programs	84.184	1	-

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Education, Continued			
Safe and Drug-Free Schools and Communities - State Grants	84.186	5	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	2,533	1,244
Education for Homeless Children and Youth	84.196	1,819	1,700
Assistive Technology	84.224	664	357
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.265	134	-
Twenty-First Century Community Learning Centers	84.287 *	36,084	34,450
Special Education - State Personnel Development	84.323	2,000	1,767
Special Education - Personnel Developmental to Improve Services and Results for Children with Disabilities	84.325	29	-
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	326	326
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	2,162	2,162
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,662	33
Rural Education	84.358	1,531	1,487
English Language Acquisition State Grants	84.365	25,551	24,591
Mathematics and Science Partnerships	84.366	1,504	1,265
Improving Teacher Quality State Grants	84.367 *	95,734	92,514
Grants for Enhanced Assessment Instruments	84.368	543	-
Grants for State Assessments and Related Activities	84.369	2,554	-
Statewide Longitudinal Data Systems	84.372	1,888	-
Statewide Data Systems, Recovery Act	84.384	1,804	-
School Improvement Grants Cluster:			
School Improvement Grants	84.377 *	32,604	30,458
School Improvement Grants, Recovery Act	84.388 *	9,417	9,272
Total School Improvement Grants Cluster		42,021	
College Access Challenge Grant Program	84.378	1,207	-
Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	(9)	-
Special Education Grants to States, Recovery Act	84.391	(34)	-
Race-to-the-Top Incentive Grants, Recovery Act	84.395	268	-
Race to the Top - Early Learning Challenge	84.412	14,168	785
Race to the Top	84.413	10,076	5,646
Preschool Development Grants	84.419	507	380
U.S. Department of Education Total		\$ 6,785,853	\$ 1,397,907
National Archives and Records Administration			
National Historical Publications and Records Grants	89.003	\$ 35	\$ 24
National Archives and Records Administration Total		\$ 35	\$ 24
Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	\$ 4,777	\$ 4,761
Election Assistance Commission Total		\$ 4,777	\$ 4,761
U.S. Department of Health and Human Services			
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	\$ 199	\$ 199
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	663	663
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	560	560
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	\$ 16,210	16,210
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	23,973	22,671
Nutrition Services Incentive Program	93.053	5,968	5,968
Total Aging Cluster		46,151	
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	47	47
Alzheimer's Disease Demonstration Grants to States	93.051	172	172
National Family Caregiver Support, Title III, Part E	93.052	5,093	5,093
Public Health Emergency Preparedness	93.069	89	-

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<u>Federal Agency/Program or Cluster</u>	<u>Federal CFDA #</u>	<u>Amounts (expressed in thousands)</u>	
		<u>Expenditures</u>	<u>Passed-through to subrecipients (Unaudited)</u>
<u>U.S. Department of Health and Human Services, Continued</u>			
Environmental Public Health Emergency Response	93.070	526	101
Medicare Enrollment Assistance Program	93.071	756	756
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	26,145	17,024
Systems Inoperability - Health and Human Services	93.075	123	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	188	-
Guardianship Assistance	93.090	8,972	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	2,358	2,105
Well-Integrated Screening and Evaluation for Woman Across the Nation	93.094	594	270
Food and Drug Administration - Research	93.103	349	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	2,357	2,335
Maternal and Child Health Federal Consolidated Programs	93.110	189	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,484	210
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	300	72
Injury Prevention and Control Research and State and Community Based Programs	93.136	1,215	1,198
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,569	2,569
Grants to States for Loan Repayment Program	93.165	1,213	-
Disabilities Prevention	93.184	214	18
Family Planning-Services	93.217	6,564	4,576
State Rural Hospital Flexibility Program	93.241	697	697
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	9,657	7,126
Immunization Cooperative Agreements	93.268	96,223	1,122
Substance Abuse and Mental Health Services-Access to Recovery Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.275	1,132	59
	93.283	3,304	124
National Public Health Improvement Initiative	93.292	572	-
Small Rural Hospital Improvement Grant Program	93.301	513	513
National State Based Tobacco Control Programs	93.305	219	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	148	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	716	30
State Health Insurance Program	93.324	2,069	811
ACL Independent Living State Grants	93.369	49	49
Food Safety and Security Monitoring Project	93.448	193	-
Ruminant Feed Ban Support Project	93.449	230	-
ACL Assistive Technology	93.464	163	163
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505	9,949	9,566
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	151	-
PPHF National Public Health Improvement Initiative	93.507	1	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	135	-
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	332	-
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521	2,049	457
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525 *	73,984	25,710
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	3,192	2,413
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	65	-
Promoting Safe and Stable Families	93.556	10,634	9,034

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<u>Federal Agency/Program or Cluster</u>	<u>Federal CFDA #</u>	<u>Amounts (expressed in thousands)</u>	
		<u>Expenditures</u>	<u>Passed-through to subrecipients (Unaudited)</u>
<u>U.S. Department of Health and Human Services, Continued</u>			
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families	93.558	*	584,197
ARRA Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	*	<u>6,693</u>
Total Temporary Assistance for Needy Families Cluster			590,890
Child Support Enforcement	93.563	*	126,064
Refugee and Entrant Assistance - State Administered Programs	93.566		13,846
Low-Income Home Energy Assistance	93.568		195,640
Community Services Block Grant	93.569		28,092
Child Care Development Funds Cluster:			
Child Care and Development Block Grant	93.575	*	83,710
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	<u>126,469</u>
Total Child Care Development Funds Cluster			210,179
Refugee and Entrant Assistance - Discretionary Grants	93.576		997
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584		452
State Court Improvement Program	93.586		555
Community-Based Child Abuse Prevention Grants	93.590		1,432
Grants to States for Access and Visitation Programs	93.597		291
Chafee Education and Training Vouchers Program (ETV)	93.599		1,774
Head Start	93.600		648
Mentoring Children of Prisoners	93.616		(75)
Voting Access for Individuals with Disabilities - Grants to States	93.617		375
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626		202
Developmental Disabilities Basic Support and Advocacy Grants	93.630		2,406
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634		321
Children's Justice Grants to States	93.643		616
Stephanie Tubbs Jones Child Welfare Services Program	93.645		10,149
Child Welfare Research Training or Demonstration	93.648		2,743
Adoption Opportunities	93.652		252
Foster Care - Title IV-E Program:			
Foster Care - Title IV-E	93.658	*	191,244
ARRA - Foster Care - Title IV-E	93.658	*	<u>(6)</u>
Total Foster Care - Title IV-E Program			191,238
Adoption Assistance	93.659	*	84,479
Social Services Block Grant	93.667	*	65,180
Child Abuse and Neglect State Grants	93.669		945
Child Abuse and Neglect Discretionary Activities	93.670		(19)
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		3,316
Chafee Foster Care Independence Program	93.674		5,495
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733		71
State Public Health Approaches for Ensuring Qitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		624
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		254
PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748		128
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds	93.752		4,927
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health Funds	93.753		2
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		473

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
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<u>Federal Agency/Program or Cluster</u>	<u>Federal CFDA #</u>	<u>Amounts (expressed in thousands)</u>	
		<u>Expenditures</u>	<u>Passed-through to subrecipients (Unaudited)</u>
<u>U.S. Department of Health and Human Services, Continued</u>			
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	1,680	367
Children's Health Insurance Program	93.767 *	298,905	-
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775 *	5,868	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777 *	31,923	-
Medical Assistance Program	93.778 *	10,912,676	62,649
ARRA - Medical Assistance Program	93.778 *	71,405	-
Total Medicaid Cluster		11,021,872	
Money Follows the Person Rebalancing Demonstration	93.791	10,167	-
National Bioterrorism Hospital Preparedness Program	93.889	111	-
Grants to States for Operation of Offices of Rural Health	93.913	181	-
HIV Care Formula Grants	93.917	35,753	8,420
Healthy Start Initiative	93.926	75	54
HIV Prevention Activities - Health Department Based	93.940	5,150	1,992
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	(2)	-
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,132	46
Assistance Programs for Chronic Disease Prevention and Control	93.945	57	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	147	21
Block Grants for Community Mental Health Services	93.958	15,012	14,463
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	65,837	61,715
National All Schedules Prescription Electronic Reporting Grant	93.975	(5)	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	2,348	159
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	46	
Preventive Health and Health Services Block Grant	93.991	609	136
Maternal and Child Health Services Block Grant to the States	93.994	24,636	19,825
U.S. Department of Health and Human Services Total		\$ 13,354,140	\$ 973,289
<u>Corporation for National and Community Service</u>			
State Commissions	94.003	\$ 271	\$ 95
AmeriCorps	94.006	5,921	5,921
ARRA - AmeriCorps	94.006	959	714
Program Development and Innovation Grants	94.007	(71)	-
Corporation for National and Community Service Total		\$ 7,080	\$ 6,730
<u>Social Security Administration</u>			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001 *	\$ 87,267	\$ -
Total Disability Insurance/SSI Cluster		\$ 87,267	
Social Security - Work Incentives Planning and Assistance Program	96.008	209	209
Social Security Administration Total		\$ 87,476	\$ 209
<u>U.S. Department of Homeland Security</u>			
State and Local Homeland Security National Training Program	97.005	\$ 137	\$ 137
Non-Profit Security Program	97.008	1,142	1,141
Boating Safety Financial Assistance	97.012	1,632	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	321	-
Crisis Counseling	97.032	43	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	5,859	5,577
Hazard Mitigation Grant	97.039	21,460	21,096
National Dam Safety Program	97.041	110	-
Emergency Management Performance Grants	97.042	10,568	3,858
Cooperating Technical Partners	97.045	89	-
Presidential Declared Disaster Assistance to Individuals and Households-Other Needs	97.050	1	-
Emergency Operations Centers	97.052	200	200
Port Security Grant Program	97.056	276	-
Homeland Security Grant Program	97.067 *	101,410	96,733
Driver's License Security Grant Program	97.089	1,637	-
Homeland Security Biowatch Program	97.091	1,840	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	842	842
U.S. Department of Homeland Security Total		\$ 147,567	\$ 129,584
Total expenditures of federal awards		\$ 29,531,242	\$ 4,255,088

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

* Denotes Major Program

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2015. The State's financial reporting entity is described in Note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2015. Each of these entities is subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The federal transactions of the following entities are not reflected in this Schedule:

University of Illinois	Governors State University
Illinois State University	Northeastern Illinois University
Northern Illinois University	Eastern Illinois University
Chicago State University	Illinois Finance Authority
Western Illinois University	Illinois Housing Development Authority
Southern Illinois University	

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission under the Federal Family Education Loan program, are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2015. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

(b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule of expenditures of federal awards on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State.

(2) Description of Major Federal Award Programs

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

U.S. Department of Agriculture

SNAP Cluster: Supplemental Nutrition Assistance Program (CFDA No. 10.551) / State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA No. 10.561)

The objective of the Supplemental Nutrition Assistance Program (SNAP) Cluster is to improve the nutrition levels of low-income households by ensuring access to nutritious, healthful diets through the provision of nutrition education and nutrition assistance through the issuance of monthly benefits for the purchase of food at authorized retailers and to provide federal financial aid to State agencies for costs incurred to operate the program.

Child Nutrition Cluster: School Breakfast Program (CFDA No. 10.553) / National School Lunch Program (CFDA No. 10.555) / Special Milk Program for Children (CFDA No. 10.556) / Summer Food Service Program for Children (CFDA No. 10.559)

The objective of the Child Nutrition Cluster is to assist States: (1) in providing a nutritious nonprofit breakfast and lunch service for school children, through cash grants and food donations; (2) to encourage the domestic consumption of nutritious agricultural commodities; (3) to provide subsidies to schools and institutions to encourage to consumption of fluid milk by children; and (4) to provide free meals to eligible children during the summer months and at other approved times, when school is not in session.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557)

The objective of this program is to provide low-income pregnant, breastfeeding, and postpartum women, infants and children to age five who have been determined to be at nutritional risk with supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost. WIC also promotes breastfeeding as the feeding method of choice for infants, provides substance abuse education, and promotes immunization and other aspects of healthy living.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Child and Adult Care Food Program (CFDA No. 10.558)

The objective of this program is to assist States, through grants-in-aid and other means, to initiate and maintain nonprofit food service programs for children and elderly or impaired adults enrolled in nonresidential day care facilities, children attending afterschool care programs in low-income areas, and children residing in emergency shelters. This program provides aid to child and adult care institutions and day care homes for the provision of nutritious foods that contribute to the wellness, healthy growth, and development of young children, and the health and wellness of older adults and chronically impaired disabled persons.

U.S. Department of Housing and Urban Development

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228)

The objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income. Each activity funded must meet one of the program's National Objectives by: benefiting low- and moderate-income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious immediate threat to the health or welfare of the community where other financial resources are not available.

U.S. Department of Labor

Employment Service Cluster: Employment Service/Wagner-Peyser Funded Activities (CFDA No. 17.207) / Disabled Veterans' Outreach Program (DVOP) (CFDA No. 17.801) / Local Veterans' Employment Representative Program (CFDA No. 17.804)

The objective of these programs is to: 1) assist persons to secure employment and workforce information by providing a variety of services to both job seekers and employers free of charge; 2) provide individualized career services to meet the employment needs of disabled and other eligible veterans identified by the Secretary of Labor with maximum emphasis in meeting the employment needs of those who are economically or educationally disadvantaged, particularly for veterans with significant barriers to employment; 3) conduct outreach to employers including conducting seminars for employers, conducting job search workshops and establishing job finding clubs; and 4) facilitate employment, training, and placement services furnished to veterans in a State under the applicable State employment service or One-Stop Career Center delivery systems whose sole purpose is to assist veterans to gain and retain employment.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Unemployment Insurance (CFDA No. 17.225)

The objective of this program is to oversee unemployment insurance programs for eligible workers through federal and state cooperation, including unemployment compensation for federal employees or ex-service members, disaster unemployment assistances, and to assist in the oversight of trade adjustment assistances and alternative trade adjustment assistance, and reemployment trade adjustment assistance programs.

Workforce Investment Act Cluster: Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Adult Program (CFDA No. 17.258) / WIA/WIOA Youth Activities (CFDA No. 17.259) / WIA/WIOA Dislocated Worker Formula Grant (CFDA No. 17.278)

The objectives of these programs are: (1) to prepare workers, particularly disadvantaged, low-skilled, and underemployed adults, for good jobs by providing job search assistance and training; (2) to help low income youth acquire the educational and occupational skills, training, and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood; and (3) to help dislocated workers become reemployed through job search assistance and/or training that builds their occupational skills to meet labor market needs.

U.S. Department of Transportation

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

Highway Planning and Construction Cluster: Highway Planning and Construction (CFDA No. 20.205) / ARRA – Highway Planning and Construction (CFDA No. 20.205ARRA) / Recreational Trails Program (CFDA No. 20.219)

The objectives of these programs are to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and preserving the National Highway System (NHS), including the Eisenhower Interstate System; for transportation improvements to Federal-aid highways and other public roads; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. The programs also provide funds to the States to develop and maintain recreational trails and trail-related facilities for both nonmotorized and motorized recreational trail uses.

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319) / ARRA – High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319ARRA)

The objective of this program is to assist in financing the capital costs of facilities, infrastructure, and equipment necessary to provide or improve high speed rail and intercity passenger rail service.

U.S. Department of Education

Title I – Grants to Local Educational Agencies (CFDA No. 84.010)

The objective of this program is to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

Special Education Cluster (IDEA): Special Education – Grants to States (CFDA No. 84.027) / Special Education – Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to states to assist them in providing special education and related services to all children with disabilities and provide a free appropriate public education to preschool disabled children aged three through five years.

Federal Family Education Loan Program – Guaranty Agencies (CFDA No. 84.032G)

The objective of this program is to encourage lenders to make loans to students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal Government.

Career and Technical Education – Basic Grants to States (CFDA No. 84.048)

The objective of this program is to develop the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career and technical education programs.

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist States in operating comprehensive, coordinated, effective, efficient, and accountable programs of vocational rehabilitation; to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strength, resources, priorities, concerns, abilities, capabilities, and informed choice so they may prepare for and engage in competitive employment.

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Twenty-First Century Community Learning Centers (CFDA No. 84.287)

The objective of this program is to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment for children, particularly students who attend high-poverty and low-performing schools.

Improving Teacher Quality State Grants (CFDA No. 84.367)

The objective of this program is to provide grants to State Educational Agencies (SEA), local educational agencies (LEA), State agencies for higher education (SAHEs) and, through SAHEs, to eligible partnerships of institutions of higher education (IHEs) and high-need local educational agencies (LEAs), in order to increase student academic achievement through such strategies as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

School Improvement Grants Cluster: School Improvement Grants (CFDA No. 84.377) / School Improvement Grants, Recovery Act (CFDA No. 84.388ARRA)

The objective of these programs is to support competitive subgrants to local educational agencies (LEAs) that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources to raise substantially the achievement of students in their lowest-performing schools.

U.S. Department of Health and Human Services

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchange (CFDA No. 93.525)

The objective of this program is to provide assistance for activities related to establishing a Health Insurance Exchange that facilitates the purchase of qualified health plans, provides for the establishment of a Small Business Health Options Program (SHOP Exchange), and meets the requirements set forth by the Secretary of State and the Affordable Care Act.

Temporary Assistance for Needy Families (TANF) Cluster (CFDA No. 93.558) / ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (CFDA No. 93.714ARRA)

The objective of these programs is to: (1) provide grants to States, Territories, the District of Columbia, and Federally-recognized Indian Tribes operating their own tribal TANF programs to assist needy families with children so that children can be cared for in their own homes; (2) to reduce dependency by promoting job preparation, work, and marriage; (3) to reduce and prevent out-of-wedlock pregnancies; (4) to encourage the formation and maintenance of two-parent families; and

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

(5) provide economic stimulus to the nation while furthering the ACF mission to promote the economic and social well being of children, youth, families, and communities.

Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)

The objective of these programs is to make grants to states for child care assistance for low-income families. The goals are to: (1) allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.

Foster Care - Title IV-E (CFDA No. 93.658 / 93.658ARRA)

The objective of this program is to help states provide safe and stable out-of-home care for children under the jurisdiction of the State until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.

Adoption Assistance (CFDA No. 93.659)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs who cannot be reunited with their families and who meet certain eligibility tests.

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each state to provide social services that best suit the individuals residing in that state. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) to prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Children's Health Insurance Program (CFDA No. 93.767)

The objective of this program is to provide funds to states to enable them to maintain and expand child health assistance to uninsured, low-income children, and at a state option, low-income pregnant women and legal immigrants, primarily by three methods: (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; (2) expand eligibility for children under the State's Medicaid program; or (3) a combination of the two.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Health Care Providers and Suppliers (CFDA No. 93.777) / Medical Assistance Program (CFDA No. 93.778 / 93.778ARRA)

The objectives of these programs are: (1) to eliminate fraud and patient abuse in the State Medicaid programs; (2) provide financial assistance to any State which is able and willing to determine through its State health agency or other appropriate State agency that providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions participation; and (3) provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements and other categorically eligible groups.

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment, and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Social Security Administration

Social Security - Disability Insurance (CFDA No. 96.001)

The objective of this program is to replace part of the earnings lost because of physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working.

U.S. Department of Homeland Security

Homeland Security Cluster: Homeland Security Grant Program (CFDA No. 97.067)

The objective of this program is to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, mitigate, respond to, and recover from acts of terrorism and other catastrophic events.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

(3) Non-monetary Assistance Inventory

The State reports the following non-cash federal awards on the Schedule of Expenditures of Federal Awards:

- National School Lunch Program (CFDA No. 10.555) – Federal expenditures for this program represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors. The commodities were valued based on USDA price lists.
- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.
- Emergency Food Assistance Program (CFDA No. 10.569) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.
- National Guard Military Operations and Maintenance (CFDA No. 12.401) - Federal expenditures for this program represent the value of telecommunication services provided to the Master Cooperative Agreement by the U.S. Department of Defense.
- National Guard Challenge Program (CFDA No. 12.404) - Federal expenditures for this program represent the value of telecommunication services provided to Lincoln’s Challenge by the U.S. Department of Defense.
- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.
- Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.
- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items “in lieu of cash” received from U.S. Department of Health and Human Services.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

- Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (CFDA No. 97.050) – Federal expenditures for this program are used to support disaster recovery to disaster survivors affected by a disaster or emergency declared by the President in order to repair or repurchase essential items needed to support adequate interim and long-term housing in addition to other necessary expenses and serious needs which cannot be met through other forms of disaster assistance or through other means such as insurance.

(4) Federal Loan Guarantees

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) as well as the outstanding balance of defaulted loans held by ISAC under the Federal Family Education Loan Program - Guaranty Agencies (CFDA No. 84.032G) were as follows:

Federal Family Education Loan Program - Guaranty Agencies

	June 30, 2014	June 30, 2015	Change
Original Principal Balance of Loans Guaranteed by ISAC	\$ 4,395,493,000	\$ 4,009,438,000	\$ (386,055,000)
Outstanding Balance of Defaulted Loans held by ISAC	664,150,000	550,452,000	\$ (113,698,000)
Total FFEL Loans	\$ 5,059,643,000	\$ 4,559,890,000	\$ (499,753,000)

(5) Loans with Continuing Compliance Requirements

The Department of Commerce and Economic Opportunity (DCEO) provided funding to local municipalities (subrecipients) under the CDBG – State-Administered Small Cities Cluster program (CFDA No. 14.228). DCEO is responsible for on-going monitoring of the revolving loan funds administered by its subrecipients and any remaining loan funds revert back to DCEO should the subrecipients cease participation in the revolving loan program.

The DCEO also provided funding to the Clean Energy Trust (CET) under the American Recovery and Reinvestment Act (ARRA) State Energy Program (CFDA No. 81.041). DCEO is responsible for on-going monitoring of the revolving loan funds administered by CET. Any remaining loan funds revert back to DCEO should CET cease participation in the revolving loan program.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

DCEO has determined loan balances outstanding for these two programs with continuing compliance requirements as follows:

Loans with Continuing Compliance Requirements

	June 30, 2014	June 30, 2015	Change
Outstanding Balance of CDBG - State-Administered Small Cities Cluster Loans	\$ 56,860,000	\$ 55,879,000	\$ (981,000)
Outstanding Balance of Clean Energy Trust / State Energy Program Loans held by DCEO	1,000,000	1,500,000	\$ 500,000
Total Loans	\$ 57,860,000	\$ 57,379,000	\$ (481,000)



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and the related notes to the Schedule of the State of Illinois (the State) for the year ended June 30, 2015, and have issued our report thereon dated April 12, 2016.

As described in note 1 to the Schedule, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Also as described in note 1 to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not



be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in findings 2015-001 through 2015-005, 2015-019, and 2015-020 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Responses to the Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
April 12, 2016



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Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2015, except for the Foster Care – Title IV-E (Foster Care) program. We were engaged to audit the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Foster Care program for the year ended June 30, 2015. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Schedule and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the State’s compliance.

Because of the matters described in the Basis for Disclaimer of Opinion on the Foster Care – Title IV-E Program paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for the Foster Care program.

Basis for Disclaimer of Opinion on the Foster Care – Title IV-E Program

As described in the accompanying schedule of findings and questioned costs, the State is in the process of investigating possible unallowable costs regarding CFDA No. 93.658 Foster Care – Title IV-E as described in finding number 2015-027. As a result of these matters, we were unable to determine whether the State complied with the requirements applicable to the Foster Care program.

Disclaimer of Opinion on the Foster Care – Title IV-E Program

Because of the significance of the matter described in the Basis of Disclaimer of Opinion on the Foster Care – Title IV-E Program paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for the Foster Care program. Accordingly, we do not express an opinion on compliance for the Foster Care program.

Basis for Qualified Opinions on Major Federal Programs

As identified in the finding numbers listed in the table below and described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2015-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2015-002
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-002
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2015-003
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-003



State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2015-004
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-004
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2015-005
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-005
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-005
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility and Maintenance of Effort	2015-006
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles and Maintenance of Effort	2015-009
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2015-019
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2015-019
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-019
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-019
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-020
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-020
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2015-028



State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Insurance	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Allowable Costs/Cost Principles	2015-037
IL Department of Insurance	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Reporting	2015-039
IL State Board of Education	Title I – Grants to Local Educational Agencies	Subrecipient Monitoring	2015-041
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2015-041
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2015-041
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	2015-041
IL State Board of Education	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	2015-042
IL State Board of Education	School Improvement Grants Cluster	Subrecipient Monitoring	2015-044
IL Department of Employment Security	Unemployment Insurance	Special Tests & Provisions	2015-056
IL Department of Employment Security	Employment Services Cluster	Allowable Costs/Cost Principles	2015-061
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles and Procurement/ Suspension and Debarment	2015-068

Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major federal programs.

Qualified Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions on Major Federal Programs paragraphs, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinions on Major Federal Programs paragraphs for the year ended June 30, 2015.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-007, 2015-008, 2015-010 through 2015-017, 2015-021 through 2015-025, 2015-029 through 2015-031, 2015-033 through 2015-036, 2015-038, 2015-040, 2015-043, 2015-045 through 2015-055, 2015-057 through 2015-062, 2015-064, 2015-066, 2015-067, 2015-070, and 2015-072 through 2015-075. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002 through 2015-026, 2015-028 through 2015-039, 2015-041 through 2015-071, and 2015-073 through 2015-075 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-040 and 2015-072 to be significant deficiencies.



The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
April 12, 2016

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

(1) Summary of Auditors' Results

- (a) The type of report issued by the Auditor General, State of Illinois, on the basic financial statements: **Unmodified**
- (b)(1) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois: **None reported**
Material weaknesses: **Yes**
- (b)(2) Significant deficiencies in internal control were disclosed by the audit of the schedule of expenditures of federal awards: **None reported**
Material weaknesses: **Yes**
- (c)(1) Noncompliance which is material to the basic financial statements: **Yes**
- (c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**
- (d) Significant deficiencies in internal control over major programs: **Yes**
Material weaknesses: **Yes**
- (e) The type of report issued on compliance for major programs:

Disclaimer:

Foster Care – Title IV-E

Qualified (Noncompliance):

Supplemental Nutrition Assistance Program Cluster

Employment Services Cluster

Unemployment Insurance

Highway Planning and Construction Cluster

Title I – Grants to Local Educational Agencies

Special Education Cluster (IDEA)

Career and Technical Education – Basic Grants to States

Twenty-First Century Community Learning Centers

Improving Teacher Quality State Grants

School Improvement Grants Cluster

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s

Exchanges

Temporary Assistance for Needy Families Cluster

Adoption Assistance

Children's Health Insurance Program

Medicaid Cluster

Block Grants for Prevention and Treatment of Substance Abuse

The opinions for all other major programs are unmodified.

- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **Yes**

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

(g) Major programs:

U.S. Department of Agriculture

1. Supplemental Nutrition Assistance Program Cluster (10.551/10.561)
2. Child Nutrition Cluster (10.553/10.555/10.556/10.559)
3. Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
4. Child and Adult Care Food Program (10.558)

U.S. Department of Housing and Urban Development

5. Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (14.228)

U.S. Department of Labor

6. Employment Service Cluster (17.207/17.801/17.804)
7. Unemployment Insurance (17.225)
8. Workforce Investment Act Cluster (17.258/17.259/17.278)

U.S. Department of Transportation

9. Airport Improvement Program (20.106)
10. Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219)
11. High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319/20.319ARRA)

U.S. Department of Education

12. Title I – Grants to Local Educational Agencies (84.010)
13. Special Education Cluster (IDEA) (84.027/84.173)
14. Federal Family Education Loan Program (84.032G)
15. Career and Technical Education – Basic Grants to States (84.048)
16. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
17. Twenty-First Century Community Learning Centers (84.287)
18. Improving Teacher Quality State Grants (84.367)
19. School Improvement Grants Cluster (84.377/84.388ARRA)

U.S. Department of Health and Human Services

20. State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525)
21. Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA)
22. Child Support Enforcement (93.563)
23. Child Care Development Funds Cluster (93.575/93.596)
24. Foster Care – Title IV-E (93.658/93.658ARRA)
25. Adoption Assistance (93.659)
26. Social Services Block Grant (93.667)
27. Children's Health Insurance Program (93.767)
28. Medicaid Cluster (93.775/93.777/93.778/93.778ARRA)
29. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

U.S. Social Security Administration

30. Social Security-Disability Insurance (96.001)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

U.S. Department of Homeland Security

31. Homeland Security Grant Program (97.067)

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$44,296,863**
- (i) The State did not qualify as a low-risk auditee under section .530 of OMB Circular A-133.

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STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

(2)(a) Findings related to the basic financial statements reported in accordance with *Government Auditing Standards*:

Findings related to the basic financial statements for the year ended June 30, 2015 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

(2)(b) Findings related to the schedule of expenditures of federal awards reported in accordance with *Government Auditing Standards*:

Finding No.	State Agency	Finding Title	Finding Type
2015-001	IL Office of the Governor and IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

Finding No.	State Agency	Finding Title	Finding Type
2015-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2015-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2015-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2015-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Time Frames	Material weakness
2015-019	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2015-020	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Office of the Governor and Office of the State Comptroller

Federal Agency: All Federal Agencies

Finding 2015-001 *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 Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the Statewide SEFA.

Accurate 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 the financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor and towards the Office of the State Comptroller (IOC).

The IOC has made significant changes to the system used to compile financial information, however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post-audit program even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not** a substitute for appropriate internal controls at State agencies.

The State of Illinois has a highly-decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the IOC. These financial reporting packages are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Comprehensive Annual Financial Report (CAFR) preparation process and the Financial Reporting Standards Board has adopted minimum qualifications for all new GAAP Coordinators who oversee the preparation of financial reporting forms, the current process still lacks sufficient internal controls at State agencies. As a result, adjustments relative to the SEFA continue to occur.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past thirteen years as a result of errors identified during the external audits performed on State agencies. These problems significantly impact the preparation and completion of the SEFA and the identification of major programs.

Errors identified in the SEFA reporting process in the current year included: (1) corrections to amounts reported; (2) adjustments to report loan balances; and (3) unreconciled amounts. These items have been reported in agency level findings for the Illinois Department of Human Services (Finding Code 2015-008), the Illinois Department of Healthcare and Family Services (Finding Code 2015-024), the Illinois Department of Insurance (Finding Code 2015-036), the Illinois State Board of Education (Finding Code 2015-049), the Illinois Community College Board (Finding Code 2015-051), the Illinois Student Assistance Commission (Finding Code 2015-052), the Illinois Department of Employment Security (Finding Code

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2015-064), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2015-066), and the Illinois Department of Transportation (Finding Code 2015-073). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

Although the deficiencies relative to the 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 external financial reporting. Although there were improvements to the timing of receiving the SEFA, corrective action necessary to remediate these deficiencies **continues to be problematic**.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. OMB Circular A-133 §__.310(b)(6) also requires that the SEFA include, in either the SEFA or a note to the SEFA, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the SEFA.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated that the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. Without adequate financial and grants management systems, agency staff are required to perform highly manual calculations of SEFA amounts in a short time frame which results in increased errors. The lack of adequate financial and grants management personnel is due in part to a failure to establish the necessary job titles with specific qualifications to ensure agencies hire applicants who have the minimum required education and specialized skills. In 2014, the Financial Reporting Standards Board (jointly sponsored by the Governor and the Comptroller) issued new guidelines for internal audits and recommended minimum qualifications for GAAP coordinators at State agencies that should assist in addressing the lack of adequately trained personnel.

In discussing these conditions with IOC management, they stated errors and delays at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accurate accumulation and reporting of financial information. The old and antiquated highly decentralized system of tracking, reporting and compiling federal spending information is inadequate to allow for the timely and accurate completion of the SEFA.

Failure to establish effective internal controls at all agencies regarding financial reporting for the preparation of the SEFA may prevent the State from completing an audit in accordance with timelines set forth by OMB Circular A-133 and may result in the suspension of federal funding. (Finding Code 2015-001, 2014-001, 2013-001, 12-01, 11-01, 10-01, 09-01, 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, and 02-01)

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Recommendation:

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

Office of the Governor's Response:

The Office of the Governor concurs with the auditor's finding and recommendation. The Office of the Governor will continue to work with the Office of the State Comptroller to address the core issues and establish sufficient internal control processes in State agencies regarding the quality of the accounting information provided to and maintained by the IOC as it relates to year-end preparation of the SEFA. Both offices have begun a multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials, which is an aspect of the Governor's Executive Order that created the Illinois Department of Innovation and Technology to transform Illinois' IT systems to be more responsive to state employees and taxpayers. An operational ERP system will improve the State's control environment and processes to allow the State and agencies to prepare a complete and accurate Schedule of Expenditures of Federal Awards in a timely manner.

IOC's Response:

The Office accepts the recommendation. While the 2014 SEFA audit was submitted prior to the March 31st deadline, the Office agrees that the existing financial reporting systems need to be replaced with a new statewide accounting and grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC. The Office is engaged in a project with the Governor's Office and other stakeholders and outside consultants to design, program and implement a new statewide financial accounting and grants management system to better meet the State's financial tracking and reporting needs.

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(3) Current Findings and Questioned Costs Relating to Federal Awards:

Finding No.	State Agency	Finding Title	Finding Type
2015-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2015-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
2015-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2015-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material noncompliance and material weakness
2015-006	IL Department of Human Services	Improper TANF Cluster Beneficiary Payments	Material noncompliance and material weakness
2015-007	IL Department of Human Services	Inadequate Process for Monitoring Interagency Program Expenditures	Noncompliance and material weakness
2015-008	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-009	IL Department of Human Services	Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement	Material noncompliance and material weakness
2015-010	IL Department of Human Services	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2015-011	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2015-012	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2015-013	IL Department of Human Services	Failure to Communicate ARRA Information and Requirements to Subrecipients	Noncompliance and material weakness
2015-014	IL Department of Human Services	Failure to Determine Eligibility in Accordance with VR Program Regulations	Noncompliance and material weakness
2015-015	IL Department of Human Services	Inadequate Controls over Payroll Costs	Noncompliance and material weakness
2015-016	IL Department of Human Services	Inaccurate Financial Report for the SNAP Cluster Program	Noncompliance and material weakness
2015-017	IL Department of Human Services	Inaccurate Special Report for the TANF Cluster Program	Noncompliance and material weakness
2015-018	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2015-019	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2015-020	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2015-021	IL Department of Healthcare and Family Services	Failure to Update and Implement Reimbursement Rate Methodology Changes for Government-Owned Hospitals in a Timely Manner	Noncompliance and material weakness
2015-022	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries	Noncompliance and material weakness
2015-023	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2015-024	IL Department of Healthcare and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-025	IL Department of Healthcare and Family Services	Failure to Obtain Suspension and Debarment Certifications from Vendors	Noncompliance and material weakness
2015-026	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness
2015-027	IL Department of Children and Family Services	Possible Unallowable Costs Charged to the Foster Care Program	Disclaimer
2015-028	IL Department of Children and Family Services	Failure to Properly Document or Execute Adoption Assistance Agreements	Material noncompliance and material weakness
2015-029	IL Department of Children and Family Services	Failure to Properly Administer Foster Care Maintenance Assistance Payments	Noncompliance and material weakness
2015-030	IL Department of Children and Family Services	Inadequate Process for Reconciling Cash Balances to IOC's Records	Noncompliance and material weakness
2015-031	IL Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2015-032	IL Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2015-033	IL Department of Public Health	Failure to Obtain and Review Subrecipient OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2015-034	IL Department of Public Health	Failure to Investigate Provider Complaints with Required Timeframes	Noncompliance and material weakness
2015-035	IL Department of Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and material weakness
2015-036	IL Department of Insurance	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-037	IL Department of Insurance	Inadequate Supporting Documentation for Payroll Costs	Material noncompliance and material weakness
2015-038	IL Department of Insurance	Unallowable Costs Charged to the ACA Exchanges Program	Noncompliance and material weakness
2015-039	IL Department of Insurance	Inaccurate ACA Exchanges Financial Reports	Material noncompliance and material weakness
2015-040	IL Department of Insurance	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2015-041	IL State Board of Education	Failure to Follow On-Site Monitoring Plan for Subrecipients	Material noncompliance and material weakness
2015-042	IL State Board of Education	Failure to Conduct On-Site Monitoring Visits of CTE Program Subrecipients	Material noncompliance and material weakness
2015-043	IL State Board of Education	Inadequate Process for Monitoring Interagency CTE Program Expenditures	Noncompliance and material weakness
2015-044	IL State Board of Education	Inadequate Procedures for Monitoring of SIG Subrecipients	Material noncompliance and material weakness
2015-045	IL State Board of Education	Inadequate Documentation of CNC Subrecipient Monitoring Procedures	Noncompliance and material weakness
2015-046	IL State Board of Education	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2015-047	IL State Board of Education	Failure to Comply with ESEA Flexibility Waiver	Noncompliance and material weakness
2015-048	IL State Board of Education	Inaccurate Special Report for Title I Program	Noncompliance and material weakness
2015-049	IL State Board of Education	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-050	IL Community College Board	Failure to Obtain Subrecipient DUNS Numbers	Noncompliance and material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2015-051	IL Community College Board	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-052	IL Student Assistance Commission	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-053	IL Student Assistance Commission	Inadequate Process for Assignment of Defaulted Loans	Noncompliance and material weakness
2015-054	IL Student Assistance Commission	Inadequate Process to Ensure Required Due Diligence Procedures are Performed	Noncompliance and material weakness
2015-055	IL Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and material weakness
2015-056	IL Department of Employment Security	Failure to Implement UI Program Integrity and Overpayment Reduction Requirements	Material noncompliance and material weakness
2015-057	IL Department of Employment Security	Failure to Adequately Document Resolution of Employer Protest	Noncompliance and material weakness
2015-058	IL Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Timeframes	Noncompliance and material weakness
2015-059	IL Department of Employment Security	Improper Calculation of UI Tax Rates	Noncompliance and material weakness
2015-060	IL Department of Employment Security	Inadequate Process for Preparing UI Financial Reports	Noncompliance and material weakness
2015-061	IL Department of Employment Security	Inadequate Supporting Documentation for Payroll Costs	Material noncompliance and material weakness
2015-062	IL Department of Employment Security	Inadequate Cash Management Procedures	Noncompliance and material weakness
2015-063	IL Department of Employment Security	Inadequate Documentation of Controls over Information Systems	Material weakness
2015-064	IL Department of Employment Security	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-065	IL Department of Employment Security	Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports	Material weakness
2015-066	IL Department of Commerce and Economic Opportunity	Failure to Properly Report Federal Expenditures	Noncompliance and material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2015-067	IL Department of Commerce and Economic Opportunity	Inadequate Documentation of Monitoring of Subrecipients of the Weatherization Program	Noncompliance and material weakness
2015-068	IL Department of Transportation	Failure to Retain Documentation in Accordance with Federal Regulations	Material noncompliance and material weakness
2015-069	IL Department of Transportation	Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning and TIGER Programs	Material weakness
2015-070	IL Department of Transportation	Failure to Notify Subrecipients of Federal Funding	Noncompliance and material weakness
2015-071	IL Department of Transportation	Inadequate Controls over Information Systems	Material weakness
2015-072	IL Department of Transportation	Failure to Follow Sampling and Testing Program for Construction Materials	Noncompliance and significant deficiency
2015-073	IL Department of Transportation	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2015-074	IL Department of Transportation	Inaccurate TIGER Financial Reports	Noncompliance and material weakness
2015-075	IL Governor's Office of Management and Budget	Inadequate Procedures for Amending the Treasury-State Agreement	Noncompliance and material weakness

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
93.558/93.714ARRA (\$590,890,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-002 *Failure to Establish Adequate Controls over the Integrated Eligibility System*

The Illinois Department of Human Services (IDHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for certain eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS administers the SNAP Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to certain eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

During our testwork, we noted several deficiencies in the controls over the implementation of IES. Specifically, we noted the IDHS and DHFS had not adequately completed and documented system testing performed prior to going live with IES. At the time IDHS and DHFS began using IES for eligibility determinations, there were several known system issues identified in user testing which had not been resolved. As of the date of our fieldwork (March 3, 2016), the IDHS and DHFS had not adequately documented its risk assessments relative to the known system issues and had not established procedures to monitor potential noncompliance with program requirements. While the IDHS and DHFS had identified and established manual workarounds for certain known errors, procedures had not been established to monitor or evaluate potential noncompliance resulting from those issues.

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We were also unable to perform adequate procedures to satisfy ourselves that certain general information technology controls over the IES system were operating effectively. Specifically, we noted IDHS and DHFS could not provide all information necessary to test system access security controls and several system changes did not follow the established change management policies of either IDHS or DHFS.

Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

In addition to the control deficiencies identified above, we noted several instances of noncompliance during our review of system data obtained from IES. Specifically, we noted cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status). We also noted cases were approved in IES without valid social security numbers or submission of an application for a social security number.

Details of the beneficiary payments paid by the State during the year ended June 30, 2015 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Total Beneficiary Payments in Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures	Percentage
SNAP Cluster	\$3,293,986,000	\$3,392,532,000	97.1%
TANF Cluster	69,143,000	590,890,000	11.7%
CHIP	272,858,000	298,905,000	91.3%
Medicaid Cluster	10,369,578,000	11,021,872,000	94.1%

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

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establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

In discussing these conditions with IDHS officials, they stated the exceptions noted can be attributed to the complexity of the federal laws governing each program's eligibility rules. Additionally, the eligibility rules for medical programs were still in the process of being formalized and adopted. In regards to information technology control procedures for the IES system, Departments' management stated the primary focus was on gaining approval from federal CMS to connect IES to the Federal Data Services Hub by October 1, 2013.

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs. (Finding Code 2015-002)

Recommendation:

We recommend IDHS evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs. We also recommend IDHS implement adequate general information technology control procedures for the IES system.

IDHS Response:

The Department accepts the recommendation. Following are some of the steps taken since June 2015 to establish improved controls over general information technology control procedures:

- Implemented observation sessions to validate results of System Test stage before moving into User Acceptance Test stage.
- Extended timeline for Phase 2 to increase User Acceptance Test stage from 12 to 43 weeks.
- Created detailed requirements traceability matrix to enable thorough due diligence of defects and workarounds.
- Refocusing on quality by requiring vendor quality reviews and joint quality review meetings with vendor.
- Redefining project deliverables jointly with vendor to focus on quality and acceptable defect levels for deployment.
- Revamping change management, decision management and documentation of deliverable approvals.

The Department has implemented a sophisticated system for documenting, tracking and prioritizing correction of all identified defects. Because of the size and complexity of the benefit programs IES controls, the Department will review IES on an ongoing basis to assure accuracy of all eligibility determinations. The Department will continue to work with the IES vendor to develop plans to resolve all currently identified control weaknesses, vulnerabilities and other deficiencies noted during this audit.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
93.558/93.714ARRA (\$590,890,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-003 *Failure to Properly Maintain and Control Case File Records*

IDHS 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 (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS is the State agency responsible for performing eligibility determinations for the federal public welfare assistance programs. IDHS has established a series of local offices throughout the State at which eligibility determinations and redeterminations are performed and documented. The eligibility intake processes for each of the programs identified above require case workers to obtain and review supporting documentation including signed benefits applications, copies of source documents reviewed in verifying information reported by applicants, and other information. Although most of this information is entered into the electronic case record, IDHS also maintains manual paper files which include the source documents required to determine eligibility for its federal programs.

Effective October 1, 2013, the State implemented the Integrated Eligibility System (IES) to perform and document eligibility determinations for certain beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs. In State fiscal year 2015, use of IES was expanded significantly. Documentation related to eligibility determinations performed using IES generally resides solely within the information system.

During our testwork, we noted the procedures in place to maintain and control manual beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted manual case files were generally available to all IDHS personnel and that formal procedures have not been developed for checking hard-copy case files in and out of the file rooms or for tracking their locations. We selected 10 TANF Cluster eligibility case records from each of the five separate local offices (50 total) and noted one case record could not be located for our testing.

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In addition, during our testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, we noted a number of case files were provided several weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS. We also noted three CHIP case files (with medical payments sampled of \$70) for which IDHS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of these beneficiaries of the CHIP Program were \$8,984 during the year ended June 30, 2015.

Details of the beneficiary payments selected in our eligibility samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures
TANF Cluster	50	\$15,396	\$69,143,000	\$590,890,000
CHIP	65	2,746	272,858,000	298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

We also selected a sample of 25 case files consisting of 2 CHIP and 23 Medicaid Cluster program case files (with total expenditures of \$3 and \$6,630, respectively) to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment population. During our testwork, we noted two CHIP eligibility case files (with sampled payments of \$3) were missing. Payments made on behalf of these beneficiaries during the year ended June 30, 2015 were \$267,525.

As discussed above, we also noted the State implemented IES on October 1, 2013 and expanded the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster during the year ended June 30, 2015. As discussed in findings 2015-002 and 2015-019, several errors were identified in the implementation of IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated these control weakness are attributed to the enormous caseload; difficulty in locating case records in the Family and Community Resource Centers (FCRCs) and in centralized storage facilities; and the current transition from paper records to a completely digital record system.

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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 Code 2015-003, 2014-003, 2013-003, 12-03, 11-03, 10-04, 09-04, 08-04, 07-11)

Recommendation:

We recommend IDHS 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.

IDHS Response:

The Department accepts the recommendation. In order to relieve some of the space limitations, offsite storage facilities were obtained and are being used. The Department is now utilizing a document management system that is capturing a portion of the information that was previously printed and stored in the paper case file, and now stored electronically. This is assisting in the reduction of the overwhelming size and amount of paper files in the offices. Additionally, we are in the midst of converting to a digital file system, which is accompanied by a learning curve in the utilization of scanning equipment and digital cataloging processes.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
 Children’s Health Insurance Program
 Medicaid Cluster

CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
 93.767 (\$298,905,000)
 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-004 Missing Documentation in Beneficiary Eligibility Files

IDHS 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.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures
TANF Cluster	50	\$15,396	\$69,143,000	\$590,890,000
CHIP	65	2,746	272,858,000	298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

During our test work, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. We noted the following exceptions during our testwork:

- In one TANF Cluster case, the application signed by the beneficiary had no date noted, indicating the effective period of the TANF payments. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2015 totaled \$1,656.
- In two TANF Cluster cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2015 totaled \$3,925.
- In one TANF Cluster case, IDHS could not provide evidence that IDHS verified the beneficiary’s social security number. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2015 totaled \$1,587.

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- In one TANF Cluster case, IDHS could not provide evidence that IDHS verified the beneficiary approved the application completed. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2015 totaled \$3,287.
- In one TANF Cluster case, the Responsibility Service Plan completed and signed by the beneficiary was prepared late. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2015 totaled \$1,515.
- In three TANF Cluster cases, IDHS could not locate the initial case application or redetermination completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2015 totaled \$6,313.
- In two TANF Cluster Child Support Cooperation special test cases, IDHS could not provide evidence that proper follow-up had been performed after a Notice of Failure to Cooperate had been issued on the beneficiary's case. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2015 totaled \$8,161.
- In one TANF Cluster Child Support Cooperation special test case, IDHS could not provide evidence that a Notice of Failure to Cooperate had been issued to the beneficiary's case. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2015 totaled \$1,728.
- In eight TANF Cluster Penalty for Refusal to Work special test cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary and no evidence could be provided to demonstrate IDHS appropriately verified the beneficiary's participation in program work activities. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2015 totaled \$19,542.
- In three TANF Cluster Penalty for Refusal to Work special test cases, IDHS could not provide evidence that IDHS verified the beneficiary's participation in program work activities. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2015 totaled \$11,112.
- In 22 CHIP and 30 Medicaid case files (with medical payments sampled of \$702 and \$2,274, respectively), IDHS could not locate the redetermination application completed and signed by the beneficiary. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2015 were \$169,770 and \$114,007 for the CHIP and Medicaid programs, respectively.
- In 17 CHIP and 15 Medicaid case files (with medical payments sampled of \$494 and \$1,128, respectively), IDHS could not locate adequate documentation evidencing income and asset verification was performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on client handwritten notes, or used income verified on previous applications. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2015 were \$159,492 and \$43,251 for the CHIP and Medicaid programs, respectively.
- In three CHIP and eight Medicaid case files (with medical payments sampled of \$59 and \$1,646, respectively), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$5,268 and \$17,145, for the year ended June 30, 2015.
- In 15 Medicaid case files (with medical payments sampled of \$1,065), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois. Medical payments made on behalf of these beneficiaries under Medicaid were \$46,810, for the year ended June 30, 2015.
- In 17 CHIP and 12 Medicaid case files (with medical payments sampled of \$386 and \$1,091), IDHS could not provide adequate documentation that cross match verifications were performed to verify the beneficiaries were eligible. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$149,396 and \$28,928, for the year ended June 30, 2015.

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- In two CHIP and four Medicaid case files (with medical payments sampled of \$28 and \$77, respectively), IDHS could not initially provide adequate documentation that citizenship verifications were performed to verify the beneficiaries were eligible. While IDHS provided birth certificates or other documentation establishing citizenship subsequent to our field work, we were unable to determine if this information was available to caseworks at the time eligibility was determined/redetermined. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$3,633 and \$1,577 for the year ended June 30, 2015.
- In two CHIP and one Medicaid case files (with medical payments sampled of \$75 and \$4 respectively), IDHS could not provide adequate documentation that beneficiary's social security number was verified to be valid. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$7,164 and \$42 for the year ended June 30, 2015.

Additionally, we noted the State implemented the Integrated Eligibility System (IES) on October 1, 2013 and significantly expanded the use of IES to additional groups of beneficiaries of the CHIP and Medicaid Cluster during the year ended June 30, 2015. As discussed in findings 2015-002 and 2015-019, several errors were identified in the implementation of IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the CHIP and Medicaid Cluster programs.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated the missing eligibility documentation was misplaced, misfiled, or erroneously indexed.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2015-004, 2014-004, 2013-004, 12-04, 11-04, 10-06, 09-06, 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

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Recommendation:

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

IDHS Response:

The Department agrees with the recommendation. The Department continues to ensure staff understands the importance of proper and accurate filing processes. The Department is increasing the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children’s Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-005 Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

IDHS did not perform “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

Each of the State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. During our testwork over eligibility, we noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs. The monthly delinquency statistics by program for State fiscal year 2015 are as follows:

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF Cluster			
July	6,258	48,807	12.82%
August	6,269	48,421	12.95%
September	6,237	48,695	12.81%
October	6,234	48,869	12.76%
November	6,437	47,636	13.51%
December	6,606	49,028	13.47%
January	6,744	46,600	14.47%
February	6,537	47,286	13.82%
March	6,407	46,420	13.80%
April	5,497	45,666	12.04%
May	4,267	44,704	9.55%
June	3,805	44,443	8.56%

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Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
CHIP			
July	84,311	1,068,012	7.89%
August	81,159	1,115,036	7.28%
September	80,714	1,147,026	7.04%
October	80,106	1,183,724	6.77%
November	78,058	1,217,439	6.41%
December	88,948	1,239,741	7.17%
January	110,660	1,258,211	8.80%
February	117,936	1,278,838	9.22%
March	131,788	1,305,333	10.10%
April	133,825	1,334,691	10.03%
May	138,605	1,343,381	10.32%
June	141,519	1,336,064	10.59%
Medicaid Cluster			
July	139,443	500,739	27.85%
August	134,102	502,324	26.70%
September	131,334	502,009	26.16%
October	126,879	501,124	25.32%
November	117,107	499,379	23.45%
December	109,633	498,557	21.99%
January	102,241	497,276	20.56%
February	95,289	493,519	19.31%
March	92,997	489,684	18.99%
April	78,479	487,920	16.08%
May	42,444	486,276	8.73%
June	38,545	476,054	8.10%

During our testwork we noted redeterminations were not completed within required time frames for twenty one cases tested. Delays in performing redeterminations ranged from 1 to 48 months after the required timeframe.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures
TANF Cluster	50	\$15,396	\$69,143,000	\$590,890,000
CHIP	65	2,746	272,858,000	298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

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In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid Cluster, CHIP, and TANF Cluster programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

In discussing these conditions with IDHS officials, they stated an increasing number of overdue redeterminations exist due to the absorption of cases that would have previously been eligible for administrative renewal; start up issues and time spent on process development with a vendor; and the amount of time spent on staff development for new hires. The audit period was met with a learning curve and staff becoming acclimated to the newly developed system and its functionality.

Management also stated that although IDHS was able to hire some additional staff during the audit period, those hires were new staff having no previous IDHS program knowledge or experience. As a result, production was not initially at an optimum level given the needed staff development in addition to the barriers associated with new staff, processes, procedures, and software.

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 Code 2015-005, 2014-002, 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Recommendation:

We recommend IDHS 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.

IDHS Response:

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

IDHS and DHFS have set up four specialized central redetermination units across the state to handle most medical only redeterminations. Staff in these units specialize in working in a new electronic storage system, developed by a vendor that records and stores redetermination information, forms, and verifications.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
Award Numbers: See schedule of award numbers
Questioned Costs: \$508
Finding 2015-006 *Improper TANF Cluster Beneficiary Payments*

IDHS made improper payments to beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork of 50 TANF Cluster program beneficiary payments, we noted seven beneficiaries received payments for the addition of a family member to the family unit that were improperly calculated using the incorrect number of days. As a result of the calculation errors, the monthly payments for four beneficiaries (with payments of \$2,057) were overstated in total by \$508 and the monthly payments for three beneficiaries (with payments of \$1,331) were understated in total by \$207. Total payments made to these beneficiaries under the TANF Cluster were \$16,856 for the year ended June 30, 2015. As of the date of our testing (December 19, 2015), the payment errors identified in our sample had not been corrected by IDHS.

Beneficiary payments selected in our sample totaled \$15,396. Payments made on behalf of beneficiaries of the TANF Cluster program totaled \$69,143,000 during the year ended June 30, 2015.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In accordance with the OMB Circular A-133 Compliance Supplement, dated June 2015, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plan requires payments to be made to eligible beneficiaries in accordance with payment levels established within the State Plan.

Additionally, the A-102 Common Rule and CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated the error occurred in the manual calculation of the initial prorated entitlement TANF payment.

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Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding Code 2015-006, 2014-005, 2013-005, 12-05)

Recommendation:

We recommend IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid.

IDHS Response:

We accept the recommendation. The implementation of Phase 2 of the Integrated Eligibility System will reduce or eliminate the need for manual calculations of initial prorated entitlements.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
 Child Care Development Funds Cluster
 Social Services Block Grant
 Block Grants for the Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
 93.575/93.596 (\$210,179,000)
 93.667 (\$65,180,000)
 93.959 (\$65,837,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-007 *Inadequate Process for Monitoring Interagency Program Expenditures*

IDHS does not have an adequate process for monitoring interagency expenditures claimed under the Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) programs.

Federal and State expenditures under the TANF Cluster, Child Care Cluster, Title XX, and SAPT programs are comprised of programs operated by various State agencies. As the State agency responsible for administering these programs, IDHS has executed interagency agreements with each of the State agencies expending federal and/or State program funds. The interagency agreements require periodic reporting of a summary of the agency’s “allowable” expenditures to IDHS for preparation of the financial reports required for each program. As the State agencies expending program funds do not determine under which program IDHS reports their expenditures, IDHS is responsible for establishing procedures to ensure the expenditures reported by the expending State agencies meet the applicable federal requirements.

During the year ended June 30, 2015, IDHS reported expenditures from other agencies that were claimed for reimbursement or used to meet maintenance of effort (MOE) requirements as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
TANF	Department of Children and Family Services	\$285,936,886	\$590,890,000
TANF	Department of Healthcare and Family Services	1,683,389	590,890,000
TANF	Illinois Department of Revenue	42,763,131	590,890,000
TANF	Illinois Student Assistance Commission	16,040,250	590,890,000
TANF (ARRA)	Department of Healthcare and Family Services	1,318,697	590,890,000
TANF MOE	Department of Healthcare and Family Services	8,371,766	780,686,119

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Program	Expending State Agency	Expenditures Claimed	Total Expenditures
TANF MOE	Illinois State Board of Education	\$45,475,151	\$780,686,119
Child Care MOE	Department of Children and Family Services	19,468,922	126,468,654
Title XX	Illinois Department of Public Health	4,709,000	65,180,000
SAPT	Illinois Department of Revenue	134,000	65,837,000

IDHS' procedures to monitor other State agencies expending program funds reported by IDHS include the following:

- Interagency agreements were reviewed and updated (where necessary) to ensure all State programs claimed under the TANF Cluster, Child Care Cluster, Title XX, and SAPT programs were subject to an interagency agreement.
- Program questionnaires were developed and distributed to each of the State agencies to assist in documenting the nature of the expenditures provided to IDHS and the internal controls established to ensure compliance with the applicable federal regulations.
- Quarterly certification reports were collected from each of the State agencies to support amounts reported in the federal reports required for each federal program.
- Expenditure details were obtained from each of the State agencies and were reconciled to the quarterly certifications.

However, during our testwork over the documentation of the monitoring procedures discussed above, we noted the following deficiencies:

- Program questionnaires describing internal control procedures were not obtained by IDHS from the Illinois Department of Public Health or the Illinois Department of Revenue. Additionally, the internal control questionnaires provided to IDHS by DHFS did not include documentation of controls or processes related to ARRA expenditures claimed under the TANF Cluster program.
- IDHS did not perform a detailed review of any costs claimed from expenditures reported by the other State agencies to ensure they met the specific program requirements.

The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure expenditures reported by the expending state agencies meet the applicable federal requirements.

In discussing these conditions with IDHS officials, they stated the condition found was a result of inadequate controls over interagency expenditures and improvements will be made as needed.

Failure to properly monitor interagency expenditures may result in claiming of expenditures that are inconsistent with the objectives of the federal program. (Finding Code 2015-007)

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Recommendation:

We recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations.

IDHS Response:

The Department agrees with the recommendation. The Department will review the current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for the Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
10.557 (\$211,940,000)
84.126 (\$116,262,000)
93.558/93.714ARRA (\$590,890,000)
93.575/93.596 (\$210,179,000)
93.667 (\$65,180,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)
93.959 (\$65,837,000)
96.001 (\$87,267,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-008 *Inaccurate Reporting of Federal Expenditures*

IDHS did not accurately report Federal expenditures under the Supplemental Nutrition Assistance (SNAP) Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), Children's Health Insurance Program (CHIP), Medicaid Cluster, Block Grants for the Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI Cluster (SSDI) programs.

IDHS inaccurately reported federal expenditures which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for IDHS' major programs for the year ended June 30, 2015:

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Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$3,392,532,000	\$3,434,761,000	(\$42,229,000)
WIC	211,940,000	210,453,000	1,487,000
TANF Cluster	590,890,000	589,478,000	1,412,000
Title XX	65,180,000	64,921,000	259,000
SAPT	65,837,000	66,321,000	(484,000)
SSDI	87,267,000	87,860,000	(593,000)

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following major programs:

Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$4,680,000	\$11,825,000	(\$7,145,000)
WIC	203,291,000	209,608,000	(6,317,000)
VR	27,907,000	28,771,000	(864,000)
TANF Cluster	156,335,000	2,693,000	153,642,000
Title XX	47,568,000	49,910,000	(2,342,000)
SAPT	61,715,000	61,896,000	(181,000)

We also noted several errors and unsupported amounts identified in IDHS' financial statement audit that impacted the statewide SEFA as follows:

- IDHS improperly classified approximately \$4.8 million provided to the Illinois Department of Public Health (IDPH), another State agency in the primary government, as subrecipient pass through amounts related to the Title XX program.
- IDHS could not provide supporting documentation for expenditures of approximately \$38.4 million identified as an adjustment to correct prior accounts receivable balance related to the SNAP Cluster program.
- IDHS could not provide supporting documentation for expenditures of approximately \$3.2 million identified as an adjustment to agree to the expenditure pattern related to the VR program.
- IDHS could not provide supporting documentation (other than a summary schedule) for expenditures of approximately \$3.0 million for the Title XX program.
- IDHS does not maintain supporting documentation for certain amounts reported relative to the CHIP and Medicaid Cluster programs. Amounts reported by IDHS which were provided by the Illinois Department of Healthcare and Family Services totaled \$10.3 million and \$417.3 million for the CHIP and Medicaid Cluster programs, respectively.
- We also noted several errors in expenditure and subrecipient pass through amounts reported to the IOC for IDHS' non-major programs.

Although some of the differences identified above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

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According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing these conditions with IDHS officials, they stated federal expenditure differences noted were adjustments necessary to ensure the correct federal receivable amounts were reported as of June 30, 2015.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-008, 2014-006, 2013-006)

Recommendation:

We recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

IDHS Response:

The Department agrees with the recommendation. A new procedure was implemented in fiscal year 2015 to verify the federal receivable amounts reported on the GAAP reporting forms required to be submitted to the IOC. These procedures will be followed to ensure expenditures and receivables are accurately reported.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Block Grants for Prevention and Treatment of Substance Abuse
CFDA # and Program Expenditures: 93.959 (\$65,837,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-009 Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement

IDHS did not maintain the required aggregate State expenditures for the maintenance of effort (MOE) requirements and was unable to provide adequate supporting documentation to substantiate IDHS met the MOE requirements for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years. In addition, the State is required to maintain its level of expenditures for substance abuse prevention and treatment services provided to pregnant women and women with dependent children, individuals with HIV, and individuals with tuberculosis.

During the current fiscal year, we noted IDHS did not maintain the necessary aggregate expenditures to meet the SAPT MOE requirement. The table below illustrates the shortfall:

	IDHS Actual Aggregate State Expenditures for State Fiscal Year June 30, 2015	MOE Requirement	Amount of Shortfall
MOE expenditures	\$133,226,937	\$137,621,943	(\$4,395,006)

Additionally, during our testwork over 25 expenditures used by the State to meet the SAPT MOE requirements (totaling \$19,733,117), we noted IDHS could not provide detailed supporting documentation for 17 expenditures sampled (totaling \$8,672,505). Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort. Upon further review, we noted an additional \$108,486,392 for which detailed supporting documentation was not readily available.

State funded expenditures used to meet the SAPT MOE requirement totaled \$133,226,937 for the year ended June 30, 2015.

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According to 45 CFR 96.30(a), the fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. Further, 45 CFR 96.134(a) states with respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure the MOE requirement is met and maintaining adequate supporting documentation to support the expenditures used to meet the MOE requirement.

In discussing these conditions with IDHS officials, they stated the IDHS Management Information System (MIS) extract report used for monthly reports, when developed, was designed to give aggregate amounts consistent with IDHS Consolidated Accounting Record System (CARS) accounting cost centers/obligations. It was not designed to archive detail payment information and adjustments that impacted the monthly aggregate amounts.

Failure to maintain required State expenditure levels for MOE and maintain adequate supporting documentation to support expenditures used to meet the MOE requirement results in unallowable costs and noncompliance with program requirements. (Finding Code 2015-009, 2014-010)

Recommendation:

We recommend IDHS review its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

IDHS Response:

The Department accepts the recommendation. The Department agrees with the finding. There is an outstanding MIS request from IDHS-Division of Alcohol and Substance Abuse (IDHS-DASA) to resolve this issue. IDHS-DASA staff will continue to work with IDHS-MIS to obtain these reports.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
 U.S. Department of Education (USDE)
 U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
 Vocational Rehabilitation Grants to States
 Temporary Assistance for Needy Families Cluster
 Child Care Development Funds Cluster
 Social Security Block Grant
 Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$211,940,000)
 84.126 (\$116,262,000)
 93.558/93.714ARRA (\$590,890,000)
 93.575/93.596 (\$210,179,000)
 93.667 (\$65,180,000)
 93.959 (\$65,837,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-010 *Inadequate Review of OMB Circular A-133 Audit Reports*

IDHS did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

During our review of a sample of 155 subrecipient OMB Circular A-133 audit desk review files, we noted IDHS did not notify 17 subrecipients of the results of A-133 audit desk reviews or issue management decisions on reported findings within six months of receiving the audit reports as required. These reviews were completed as follows:

Desk Review Period	Number of Subrecipients
180-210 days after receipt	12
210-240 days after receipt	3
240+ days after receipt	2

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We also noted the A-133 audit desk reviews for the two most recent fiscal years are still in process and have not been finalized as of the date of our testwork (February 19, 2016) for six subrecipients.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	%
WIC	\$203,291,000	\$211,940,000	95.9%
VR	27,907,000	116,262,000	24.0%
TANF Cluster	156,335,000	590,890,000	26.5%
Child Care Cluster	201,639,000	210,179,000	95.9%
Title XX	42,838,000	65,180,000	65.7%
SAPT	61,715,000	65,837,000	93.7%

According to OMB Circular A-133 §___.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, OMB Circular A-133 §___.400(d)(5) states that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing procedures and hiring adequate resources to ensure OMB Circular A-133 audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

In discussing these conditions with IDHS officials, they stated staff turnover and vacancies in critical positions resulted in several operational delays.

Failure to obtain and review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2015-010, 2014-009, 2013-008, 12-06, 11-08)

Recommendation:

We recommend IDHS establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

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IDHS Response:

The Department agrees with the recommendation. The IDHS Office of Contract Administration (OCA) has continued to revise the Single Audit Desk Review process since issuing a request for proposal and awarding a Vendor Contract to a new Desk Review Vendor in fiscal year 2013. OCA is finalizing vacancy postings to add additional staff to the OCA Desk Review Section which will allow the Desk reviews to be processed in a timelier manner.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$211,940,000)
84.126 (\$116,262,000)
93.558/93.714ARRA (\$590,890,000)
93.575/93.596 (\$210,179,000)
93.667 (\$65,180,000)
93.959 (\$65,837,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-011 *Failure to Follow Established Subrecipient Monitoring Procedures*

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

IDHS has implemented procedures whereby program staff perform periodic on-site and desk reviews of IDHS subrecipient compliance with regulations applicable to the federal programs administered by IDHS. Generally, these reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. IDHS' policies require the subrecipient to respond to each finding by providing a written corrective action plan. Additionally, IDHS performs reviews of expenditure reports submitted by subrecipients. IDHS subrecipient monitoring procedures are subject to the review and approval of a supervisor.

During our testwork over on-site review procedures performed for 245 subrecipients of the WIC, VR, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established monitoring procedures as follows:

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

- IDHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews. We noted the following exceptions:

Federal Program	Number of Late Communications	Number of Subrecipients Tested	Number of Days Late (Range)
TANF Cluster	3	42	18-89
WIC	2	41	30-82
SAPT	1	40	71
VR	1	40	17

- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings or follow up with subrecipients on delinquent CAPs. We noted the following exceptions:

Federal Program	Number of Late CAPs	Number of Subrecipients Tested	Number of Days Late (Range)
TANF Cluster	3	42	10-279
WIC	5	41	7-72
Title XX	1	40	40

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2015 in accordance with IDHS' planned monitoring schedule. Specifically, we noted the following exceptions:

Federal Program	Number of Reviews Not Performed	Number of Subrecipients Tested
VR	7	40
Child Care	1	42
Title XX	1	40
TANF Cluster	2	42

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- During our testwork performed, we noted that IDHS did not provide evidence that a notification letter was sent to the subrecipient to communicate the results of the programmatic review. Specifically, we noted the following exceptions:

Federal Program	Number of Missing Notification Letters	Number of Subrecipients Tested
Title XX	1	40
WIC	1	41
VR	1	40

- During our testwork performed, we noted that IDHS did not provide evidence that a notification letter was sent to the subrecipient to communicate the acceptance of their CAP. Specifically, we noted the following exceptions:

Federal Program	Number of Missing Notification Letters	Number of Subrecipients Tested
VR	2	40
TANF Cluster	2	42

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	%
WIC	\$203,291,000	\$211,940,000	95.9%
VR	27,907,000	116,262,000	24.0%
TANF Cluster	156,335,000	590,890,000	26.5%
Child Care Cluster	201,639,000	210,179,000	95.9%
Title XX	42,838,000	65,180,000	65.7%
SAPT	61,715,000	65,837,000	93.7%

According to OMB Circular A-133__400(d), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

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For the Year Ended June 30, 2015

ensuring on-site procedures and expenditure reviews are performed in a timely manner and are designed to monitor fiscal controls.

In discussing these conditions with IDHS officials, they stated staffing constraints and competing priorities resulted in the discrepancies noted during the audit.

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-011, 2014-008, 2013-009, 12-07, 11-09)

Recommendation:

We recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

IDHS Response:

The Department agrees with the recommendation. The Department will review its process to ensure all programmatic on-site and expenditure reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, IDHS will review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$211,940,000)
84.126 (\$116,262,000)
93.558/93.714ARRA (\$590,890,000)
93.575/93.596 (\$210,179,000)
93.667 (\$65,180,000)
93.959 (\$65,837,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-012 *Failure to Communicate Award Information to Subrecipients*

IDHS did not properly communicate required federal information to subrecipients at the time of award for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Vocational Rehabilitation Grants to States (VR); Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During our testwork of the award communications for our sample of subrecipients, we selected the fiscal year contracts awarded to each subrecipient in 2015 to review for compliance with federal award communication requirements. During our review of the award communication files for our sample of awards, we noted the CFDA number was not communicated in the subrecipient award agreement for 32 TANF Cluster and 1 SSBG subrecipients tested. Upon further review, we noted a general State appropriation code was communicated in the original award document for these 33 subrecipients as IDHS had not determined under which federal program (if any) the expenditures would be claimed at the time they were awarded. Amounts passed through to these subrecipients under the TANF and SSBG programs were \$5,496,144 and \$563,474 during the year ended June 30, 2015.

As noted above, IDHS uses a general State appropriation code in award communications for which the State is uncertain under which federal program (if any) expenditures will be claimed. Accordingly, subrecipients whose agreements use the general State appropriation code do not adequately address the federal requirements applicable to the program under which the expenditures may ultimately be claimed by IDHS.

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While the instances of noncompliance identified in this finding only pertain to certain major programs, we noted the processes and deficiencies in internal controls over compliance described in the preceding paragraph that contributed to the compliance exceptions pertain to all programs.

Details of the subrecipient payments selected in our samples are as follows:

Major Program	Number of Subrecipients Sampled	Amounts Passed Through to Subrecipients Sampled	Total Subrecipient Payments in Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures
WIC	41	\$106,557,520	\$203,291,000	\$211,940,000
VR	40	14,252,126	27,907,000	116,262,000
TANF Cluster	42	11,989,025	156,335,000	590,890,000
Child Care	42	92,364,944	201,639,000	210,179,000
Title XX	40	15,583,282	42,838,000	65,180,000
SAPT	40	32,637,868	61,715,000	65,837,000

According to OMB Circular A-133 __.400(d)(1), a pass-through entity is required to identify Federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is Research and Development, and name of Federal agency.

In addition, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

In discussing these conditions with IDHS officials, they stated staff did not have a complete understanding of the procedures used to complete the award communications.

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards. (Finding Code 2015-012, 2014-007, 2013-007)

Recommendation:

We recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

IDHS Response:

The Department agrees with the recommendation. The Department will review and enhance its process to ensure award information is accurately communicated to subrecipients.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-013 *Failure to Communicate ARRA Information and Requirements to Subrecipients*

IDHS did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork over one ARRA disbursement of \$1,168,792 to a subrecipient of the TANF Cluster program, we noted the subrecipient agreement did not identify the Federal award number, CFDA number, the amount of ARRA funds, or the requirement to separately report ARRA program expenditures on the Schedule of Expenditures of Federal Awards (SEFA) and the data collection form. IDHS could not provide evidence that communication of these requirements was made subsequent to the grant award. IDHS passed through ARRA funds of approximately \$5,374,000 to one subrecipient of the TANF Cluster program during the year ended June 30, 2015.

According to 2 CFR, Chapter I, Part 176.210 (c) and (d), recipients of ARRA funds agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program. Recipients of ARRA funds also agree to require their subrecipients to provide similar identification in their SEFA and data collection form.

The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required ARRA information is communicated to subrecipients.

In discussing these conditions with IDHS officials, they stated a combination of system errors and employee oversight resulted in failure to communicate the new funding source during the contract amendment process for one service provider.

Failure to communicate required ARRA information could result in subrecipients not properly administering the federal programs in accordance with federal regulations. (Finding Code 2015-013)

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Recommendation:

We recommend IDHS implement procedures to ensure ARRA information and requirements are properly communicated in writing to its subrecipients.

IDHS Response:

The Department agrees with the recommendation. The Division of Family and Community Services (FCS) and the Office of Contracts administration (OCA) will work closely with IDHS Federal Reporting staff to ensure that all IDHS Providers who receive ARRA funds in the future will be adequately notified of the funding during the award notification process or during any amendments that are processed. OCA will also ensure that any provider receiving ARRA funds are notified during the annual federal funds reporting to all IDHS Federally Funded Providers at the end of fiscal year 2015 in September.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 (\$116,262,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-014 *Failure to Determine Eligibility in Accordance with VR Program Regulations*

IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Grants to States (VR) program in accordance with federal regulations.

During our testwork of Vocational Rehabilitation Grants to States program beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions in our testwork:

- For two cases, IDHS did not perform timely eligibility determinations. The time between the application dates and eligibility determination dates exceeded the required 60-day timeframe. Payments made on the behalf of these beneficiaries during the year ended June 30, 2015 were \$805. The payments selected in our sample for these beneficiaries were \$135.
- For two cases, IDHS did not perform a required annual review of the beneficiary's Individualized Plan for Employment (IPE). Payments made on the behalf of these beneficiaries during the year ended June 30, 2015 were \$10,099. The payments selected in our sample for these beneficiaries were \$2,656.

IDHS' procedures for determining eligibility for the VR program rely heavily on case workers understanding of policies and program requirements which can be inhibited by case load volume. IDHS has not established appropriate monitoring procedures to ensure eligibility determinations are performed and documented in accordance with program requirements.

Payments made to beneficiaries of the Vocational Rehabilitation Grants to States program totaled \$16,117,000 during the year ended June 30, 2015.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure

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beneficiary eligibility determinations are performed and documented in accordance with program regulations.

In discussing these conditions with IDHS officials, they stated the Division of Rehabilitation Services (DRS) continues to work to improve its eligibility determinations to achieve 100% compliance, but human error and competing priorities for staff attention continue to result in instances of noncompliance.

Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs. (Finding Code 2015-014, 2014-014, 2013-010, 12-08, 11-11)

Recommendations:

We recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations.

IDHS Response:

The Department agrees with the recommendation. We will continue to review our processes to identify any additional improvements that can be made.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
10.557 (\$211,940,000)
84.126 (\$116,262,000)
93.558/93.714ARRA (\$590,890,000)
93.575/93.596 (\$210,179,000)
93.667 (\$65,180,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)
93.959 (\$65,837,000)
96.001 (\$87,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: \$1,178

Finding 2015-015 *Inadequate Controls over Payroll Costs*

IDHS does not have adequate controls over payroll costs being charged to its federal programs.

IDHS administers several federal and state programs to assist Illinois families in achieving self-sufficiency, independence, and health. In administering each of these programs, IDHS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, IDHS has submitted a Public Assistance Cost Allocation Plan (PACAP) to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies by IDHS. IDHS has developed the methodologies for allocating costs to its programs, which IDHS believes best represent the actual costs associated with the program.

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Personal service (payroll and fringe benefits) expenditures represent the majority of expenditures allocated to federal programs through the PACAP. Personal service expenditures are approved on an annual basis (or more frequently if needed) through the completion of Department of Central Management Services employee information (CMS-2) forms which are filed within each employee’s personnel file. Among other things, the CMS-2 form details the employee’s approved salary amount, job code, and cost center.

During our review of 106 employee payroll charges (totaling \$387,034) allocated to IDHS’ federal programs during the year ended June 30, 2015, we noted amounts paid to employees were not consistent with amounts approved on the CMS-2 form applicable for the period tested. Specifically, we noted the following errors:

- The salary paid to one employee sampled was \$25 less than the approved monthly salary documented on the CMS-2 form. Accordingly, the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program was undercharged by \$264 during the year ended June 30, 2015.
- The salary paid to one employee sampled was \$100 more than the approved salary documented on their CMS-2 form. Upon further review, we noted an incorrect amount was paid each pay period in fiscal year 2015 resulting in unapproved payroll charges of \$1,323. Accordingly, the Supplemental Nutrition Assistance Program Cluster (SNAP) and Temporary Assistance for Needy Families (TANF) Cluster programs were overcharged by \$1,106 and \$72, respectively, during the year ended June 30, 2015.

Total personal services costs allocated through the PACAP for the programs listed above for the year ended June 30, 2015 were \$312,468,395. The amounts by programs are as follows:

Program	Amount
SNAP	\$154,870,062
WIC	3,312,921
VR	54,797,392
TANF Cluster	33,685,738
Child Care	5,337,900
Title XX	1,350,352
SAPT	4,590,587
SSDI	54,523,443
Total	\$312,468,395

According to A-87, attachment B (8)(h), charges to Federal Awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure approved salary and wage amounts are paid to employees.

In discussing these conditions with IDHS officials, they stated the errors identified were caused when employee personnel records were rebuilt after a wage freeze or by manual input error.

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Failure to pay approved employee salary amounts may result in the unallowable costs being charged to federal programs. (Finding Code 2015-015, 2014-011)

Recommendations:

We recommend IDHS implement procedures to ensure employee salary amounts paid are consistent with the approved CMS-2 form.

IDHS Response:

The Department accepts the recommendation. The Department will ensure employee salary amounts paid are consistent with the approved CMS-2 form as verified against CMS records.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Agriculture (USDA)
Program Name: Supplemental Nutrition Assistance Program Cluster
CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
Award Numbers: See schedule of award numbers
Questioned Costs: None

Finding 2015-016 *Inaccurate Financial Report for the SNAP Cluster Program*

IDHS did not prepare an accurate financial report for the Supplemental Nutrition Assistance Program Cluster program.

IDHS is required to prepare an annual federal financial closeout report (SF-425) for the SNAP Cluster program. During our testwork over the SF-425 report for the federal fiscal year ended September 30, 2014, we noted IDHS inaccurately reported the following line items:

Report Line Item	Reported Amount	Actual Amount	Difference
Grand Total Cumulative Amount of Federal Funds Authorized	\$105,031,252	\$104,788,324	\$242,928
EBT Issuance Total Outlays This Report Period	2,417,538	–	2,417,538
Fair Hearing Total Outlays This Report Period	43,982	–	43,982

Additionally, in considering the reporting process for the SF-425 report, we noted IDHS does not perform analytical or other procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to 7 CFR 272.1(e), the State must comply with the requirements necessary to ensure the accuracy and verification of reports required to be submitted for the program. In addition, the A-102 Common Rule requires non-federal entities receiving Federal Awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure expenditures are accurately reported in the federal financial closeout report.

In discussing these conditions with IDHS officials, they stated some amounts reported were incorrectly duplicated when the final expenditure report was revised.

Failure to accurately prepare financial reports prevents the USDA from effectively monitoring the Supplemental Nutrition Assistance Program. (Finding Code 2015-016)

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For the Year Ended June 30, 2015

Recommendation:

We recommend IDHS review the process and procedures in place to prepare financial reports required for the Supplemental Nutrition Assistance Program Cluster and implement procedures necessary to ensure the reports are accurate.

IDHS Response:

The Department agrees with the recommendation. The process and procedures to prepare financial reports required for the Supplemental Nutrition Assistance Program Cluster will be reviewed and additional steps will be added as necessary to ensure the reports are accurate.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: US Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families (TANF) Cluster
CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
Award Numbers: See schedule of award numbers
Questioned Costs: None
Finding 2015-017 *Inaccurate Special Report for the TANF Cluster Program*

IDHS did not prepare an accurate special report for the Temporary Assistance for Needy Families (TANF) Cluster program.

IDHS is required to prepare a performance report (ACF-204) identifying all State-funded and Maintenance of Effort (MOE) expenditures for the TANF Cluster on an annual basis. During our testwork, we noted the following errors in the ACF-204 report for the federal fiscal year ended September 30, 2014:

Report Line Item	Reported Number	Actual Number	Difference
Child Care – Total Number of Families Served under the Program with MOE Funds	56,034	55,822	212

Additionally, in considering the reporting process for the ACF-204 report, we noted IDHS does not perform analytical or other procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to 45 CFR 265.7, the State must file reports required for the TANF Cluster that are complete and accurate by the due date. In addition, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving Federal Awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data is accurately reported.

In discussing these conditions with IDHS officials, they stated the discrepancies are due to reporting problems with the new child care information system.

Failure to accurately prepare special reports prevents the USDHHS from effectively monitoring the TANF Cluster program. (Finding Code 2015-017, 2014-016)

Recommendation:

We recommend IDHS review the process and procedures in place to prepare special reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate.

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IDHS Response:

The Department agrees with the recommendation. IDHS will review the process and procedures in place to prepare special reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutritional Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children’s Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
10.557 (\$211,940,000)
84.126 (\$116,262,000)
93.558/93.714ARRA (\$590,890,000)
93.575/93.596 (\$210,179,000)
93.667 (\$65,180,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)
93.959 (\$65,837,000)
96.001 (\$87,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-018 *Inadequate Controls over Information Systems*

IDHS does not have adequate program access and change management controls over information systems used to document and determine beneficiary eligibility and record program expenditures.

The information technology applications that support the IDHS major programs include the following:

- *Concurrent* – serves as the eligibility system for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs for all cases with eligibility determinations performed prior to October 1, 2013, including subsequent eligibility redeterminations performed on those cases. The system is used by IDHS to store participant information, perform eligibility determinations for participants, and initiate and document the completion of a variety of required cross-matches for its federal programs.

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- *Child Care Management System (CCMS)* – serves as the main database for the State’s child care activities which is funded by the Child Care Development Funds (Child Care) Cluster and TANF Cluster programs. The system is used by IDHS and its subrecipients to store participant information, perform eligibility determinations for participants, and track the issuance and redemption of child care vouchers.
- *Consolidated Accounting Record System (CARS)* – serves as the financial accounting database for all of IDHS’ federal programs and State funded programs. This system is used by IDHS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Cornerstone* – serves as the data management and analysis system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system is used by IDHS to store participant information, perform eligibility determinations for participants, and provide benefit information for payment.

During our testwork of IDHS’ controls over user access to IDHS applications, we noted the following:

- One terminated employee (out of 40 tested) retained application access after their termination date for the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications.
- One newly hired employee (out of 40 tested) did not obtain proper approval prior to being granted access to the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications.
- IDHS’ policies and procedures do not include specific procedures to review access rights for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Funds Cluster, and TANF Cluster programs.

Additionally, during our testwork over changes made to IDHS’ information systems, we noted IDHS was not able to generate a list of changes made to its information systems from each respective information system or application identified above. IDHS’ current procedures include tracking changes made to its information systems in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDHS from the database during our audit was complete.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDHS officials, they stated user account maintenance is dependent upon the supervisor’s submission of user account paperwork requesting account termination and audit retention. Although the RACF system receives a bi-monthly file from payroll, if there are discrepancies in SSN or employee ID, the user match may not be performed correctly by the program. Concurrent and CAT systems are unable to produce system generation reports due to significant legacy technology limitations.

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Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2015-018, 2014-013, 2013-014, 12-12)

Recommendation:

We recommend IDHS implement policies and procedures to ensure access to its information systems is adequately secured and to generate a list of program changes from its information systems and applications.

IDHS Response:

The Department partially accepts the recommendation. The policies and procedures to review access rights for sub-recipient organization are the same RACF policies and procedures currently in place for internal users. This includes an annual review of user accounts. In addition, RACF/LAN Coordinator training has been updated and Management Information System Security personnel attend the training to provide additional instruction. RACF/LAN Coordinators will also be required to take an annual refresher training. The current change management process, CAT tracking system, has been utilized in both Concurrent and CCTS and was deemed as an adequate compensating control with low risk. Concurrent is expected to be replaced with Phase 2 of the Integrated Eligibility System application. In addition, CARS is expected to be replaced with the Enterprise ERP solution. It is not economically feasible at this time for DHS to replace the CARS system with newer technology. Rather, DHS will accept the low risk and once the ERP system has the functionality required, CARS will be retired.

Auditors' Comment:

As noted in the finding above, we identified exceptions relative to access and change management control procedures implemented by IDHS. Although we agree that certain compensating controls are in place, we are required to design our audit to achieve a low level of control risk. We have evaluated the control exceptions discussed above and have determined the exceptions rise to the level of a material weakness based on the criteria in OMB Circular A-133.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,392,532,000)
93.558/93.714ARRA (\$590,890,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-019 *Failure to Establish Adequate Controls over the Integrated Eligibility System*

The Illinois Department of Human Services (IDHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for certain eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS administers the SNAP Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to certain eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

During our testwork, we noted several deficiencies in the controls over the implementation of IES. Specifically, we noted the IDHS and DHFS had not adequately completed and documented system testing performed prior to going live with IES. At the time IDHS and DHFS began using IES for eligibility determinations, there were several known system issues identified in user testing which had not been resolved. As of the date of our fieldwork (March 3, 2016), the IDHS and DHFS had not adequately documented its risk assessments relative to the known system issues and had not established procedures to monitor potential noncompliance with program requirements. While the IDHS and DHFS had identified and established manual workarounds for certain known errors, procedures had not been established to monitor or evaluate potential noncompliance resulting from those issues.

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We were also unable to perform adequate procedures to satisfy ourselves that certain general information technology controls over the IES system were operating effectively. Specifically, we noted IDHS and DHFS could not provide all information necessary to test system access security controls and several system changes did not follow the established change management policies of either IDHS or DHFS.

Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

In addition to the control deficiencies identified above, we noted several instances of noncompliance during our review of system data obtained from IES. Specifically, we noted cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status). We also noted cases were approved in IES without valid social security numbers or submission of an application for a social security number.

Details of the beneficiary payments paid by the State during the year ended June 30, 2015 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Total Beneficiary Payments in Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures	Percentage
SNAP Cluster	\$3,293,986,000	\$3,392,532,000	97.1%
TANF Cluster	69,143,000	590,890,000	11.7%
CHIP	272,858,000	298,905,000	91.3%
Medicaid Cluster	10,369,578,000	11,021,872,000	94.1%

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

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establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

In discussing these conditions with DHFS officials, they stated the exceptions noted can be attributed to the complexity of the federal laws governing each program's eligibility rules. Additionally, the eligibility rules for medical programs were changing while IES was being designed and built because the Federal Centers for Medicare and Medicaid Services continued issuing guidance and promulgating regulations. In addition, the short timeline for implementing IES and the limited number of state employees with expertise needed to manage the program contributed to the findings.

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs. (Finding Code 2015-019)

Recommendation:

We recommend DHFS evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs. We also recommend DHFS implement adequate general information technology control procedures for the IES system.

DHFS Response:

The Department accepts the recommendation. Following are some of the steps taken since June 2015 to establish improved controls over general information technology control procedures:

- Implemented observation sessions to validate results of System Test stage before moving into User Acceptance Test stage.
- Extended timeline for Phase 2 to increase User Acceptance Test stage from 12 to 43 weeks.
- Created detailed requirements traceability matrix to enable thorough due diligence of defects and workarounds.
- Refocusing on quality by requiring vendor quality reviews and joint quality review meetings with vendor.
- Redefining project deliverables jointly with vendor to focus on quality and acceptable defect levels for deployment.
- Revamping change management, decision management and documentation of deliverable approvals.

The Department has implemented a sophisticated system for documenting, tracking and prioritizing correction of all identified defects. Because of the size and complexity of the benefit programs IES controls, the Department will review IES on an ongoing basis to assure accuracy of all eligibility determinations, both approvals and denials.

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The Department has reviewed the data in IES for October 1, 2013 through June 30, 2015, and found:

Fiscal Year	Applications Submitted via IES	Applications Approved via IES	Expenditures Associated with Applications Approved via IES	Individuals Potentially Inappropriately Approved	IDHS Services Expenditures Potentially in Error	DHFS Services Expenditures Potentially in Error
2014	625,672	514,499	\$861,730,573	751	\$138,940	\$1,294,177
2015	1,116,179	894,680	\$3,307,145,211	2,469	\$338,931	\$6,508,701

The potentially incorrect expenditures referenced for fiscal year 2015 represent approximately two tenths of one percent of all expenditures associated with applications approved via IES. As was the case for the cost of the errors found during this review, the Department expects any additional errors that may be found will not affect more than a small percentage of enrollees or expenditures and that a substantial majority of eligibility decisions made by IES are correct.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Children’s Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-020 Missing Documentation in Beneficiary Eligibility Files

DHFS could not locate case file documentation supporting eligibility determination for beneficiaries of the Children’s Health Insurance Program (CHIP) and the Medicaid Cluster Programs.

Details of the beneficiary payments selected in our samples for the CHIP and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2015	Total Fiscal Year 2015 Program Expenditures
CHIP	65	\$576	\$272,858,000	\$298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

During our testwork, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. We noted the following exceptions during our testwork:

- In two CHIP case files (with medical payments sampled of \$47), DHFS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of this beneficiary of the CHIP Program were \$28,892 during the year ended June 30, 2015.
- In 15 CHIP case files (with medical payments sampled of \$528), DHFS could not locate documentation supporting the completion of redetermination procedures. Missing documentation includes signed applications, paystubs, redetermination applications, and verification cross-matches. Medical payments made on behalf of these beneficiaries for the CHIP program were \$35,494 during the year ended June 30, 2015.

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- In 15 CHIP case files (with medical payments sampled of \$528), DHFS did not complete redetermination procedures within required time frames. For 13 of the CHIP case files, the delay in completing these redeterminations was between 31 and 132 months after the required time frame, and for two of the CHIP case files, the redetermination was performed subsequent to the service date sampled. Medical payments made on behalf of these beneficiaries for the CHIP program were \$35,494 during the year ended June 30, 2015.

Additionally, we noted the State implemented the Integrated Eligibility System (IES) and expanded the use of IES to additional groups of beneficiaries of the CHIP and Medicaid Cluster during the year ended June 30, 2015. As discussed in findings 2015-002 and 2015-018, several errors were identified in the implementation of IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the CHIP and Medicaid Cluster programs.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated June 2015, DHFS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation. Effective controls should also include maintaining program information in a manner that permits the State to provide complete and accurate populations for audit in a timely manner.

In discussing these conditions with DHFS officials, the Department stated, in conjunction with IDHS, DHFS has been working to refine the renewal process. The process has taken time and utilized different vendor systems and storage methods.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2015-020, 2014-018)

Recommendation:

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

DHFS Response:

The Department accepts the recommendation. DHFS is working with IDHS to incorporate all initial eligibility and redeterminations of eligibility into the new Integrated Eligibility System which will significantly improve record retention.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-021 *Failure to Update and Implement Reimbursement Rate Methodology Changes for Government-Owned Hospitals in a Timely Manner*

DHFS did not update per diem rates and make related adjustments in a timely manner for government-owned hospitals participating in the Medicaid Cluster.

On December 4, 2008, the Department received approval from the Centers for Medicare and Medicaid Services (CMS) for an amendment to the Medicaid State Plan, which changed the methodology for reimbursing government-owned hospitals participating in the Medicaid Cluster and was retroactive as of July 1, 2008. According to the amendment, DHFS was to reimburse the government owned hospitals a total per diem rate which is the sum of a calculated inpatient per diem, a calculated disproportionate share adjustment, and a calculated supplemental disproportionate share adjustment less the amount of expenditures certified by the respective hospitals. The total per diem rates for these two hospitals are recalculated on an annual basis, with State statute requiring the government-owned hospital per diem be set by October 1st of each year. Further, each government-owned hospital receives an annual disproportionate share hospital award which is required to be paid out in twelve equal monthly installments throughout the year.

During our testwork of 65 CHIP and 125 Medicaid beneficiary payments, we reviewed provider reimbursements for accuracy and the allowability of the related benefits provided. During those procedures, we noted DHFS did not finalize the 2015 per diem rates for two providers until December 2014 and November 2015, respectively. Because DHFS did not set the provider per diem rates for 2015 until December 2014 and November 2015, these hospitals' reimbursements for State fiscal year 2015 were subsequently adjusted by \$3,374,312 for inpatient rates and \$8,549,542 for outpatient rates in June 2015 and February 2016.

In accordance with 42 CFR 447.15 and the approved Medicaid State Plan, DHFS is required to limit participation in the Medicaid program to providers who accept, as payment in full, the amounts paid by the agency for services rendered to beneficiaries. Further, the approved Medicaid State Plan requires the annual amount of each disproportionate share hospital payment for which a government-owned hospital qualifies to be made in 12 equal installments throughout the fiscal year. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure hospital reimbursement rates

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are updated in a timely manner and disproportionate share hospital payments are made within the required time frames.

In discussing these conditions with DHFS officials, they stated the inpatient rates were not timely due to ongoing negotiations with these large, government owned hospitals.

Failure to ensure hospital reimbursement rates are updated and disproportionate share hospital payments are made in a timely manner may result in inaccurate provider reimbursements, inaccurate financial reporting of expenditures, and provider overpayments, which are unallowable costs. (Finding Code 2015-021, 2014-019, 2013-018, 12-20, 11-24, 10-23)

Recommendation:

We recommend DHFS implement procedures to ensure all per diem rates are updated and adjustments are made in a timely manner for government-owned hospitals.

DHFS Response:

The Department accepts the recommendation. The Department filed State Plan Amendment 14-0012 at the beginning of calendar year 2014. The amendment changes our historical cost inflator from a hospital specific inflator to an inflator based on the Centers for Medicare and Medicaid Services Input Price Index (CIPI) for both Cook and U of I hospital inpatient rates. The hospital specific cost inflator is a more volatile inflator that can vary drastically from year to year. The CIPI inflator is based on national industry standards and is generally more consistent over time. With the approval of SPA 14-0012, the implementation of CIPI cost inflators should alleviate the lengthy negotiation process. The State fiscal year 2016 rate letters were sent July 2015; the rates were in the system shortly thereafter.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-022 *Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries*

DHFS does not have adequate procedures in place to verify with beneficiaries of the Medicaid Cluster program whether services billed by providers were actually received.

During our testwork, we noted DHFS procedures for verifying with beneficiaries whether services billed by providers were actually received by Medicaid Cluster beneficiaries consisted of special projects performed by the DHFS Office of Inspector General and Bureau of Comprehensive Health Services. However, the current projects only cover procedures billed by non-emergency transportation providers, optometric providers, and dental providers which only account for less than 1% of total provider reimbursements. Further, DHFS does not perform any verification procedures for services billed by the following provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- Managed Care Organizations
- Home and Community-Based Service Providers
- Physical Therapy Providers
- Occupational Therapy Providers

Payments made to non-emergency transportation providers, optometric providers, and dental providers totaled \$93,109,000 during the year ended June 30, 2015. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled \$10,369,578,000 during the year ended June 30, 2015.

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to verify with recipients whether services billed by providers were received.

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In discussing these conditions with DHFS officials, they stated the Department used a risk based approach to determine which provider services were verified as received by recipients.

Failure to verify with recipients whether services billed by providers were received may result in expenditures being made for services not actually provided to beneficiaries, which are unallowable costs. (Finding Code 2015-022, 2014-020, 2013-017, 12-19, 11-23, 10-20)

Recommendation:

We recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

DHFS Response:

The Department accepts the recommendation. The new Medicaid Management Information System will fully implement this process through various requirements that include:

- Validation of Explanation of Benefits (EOB) online through the recipient portal;
- Dynamic system functionality that support EOB sample selections;
- Ability to include laymen's description of procedure and diagnosis codes on EOBs; and
- Functionality that support linguistically and culturally appropriate EOBs.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-023 *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

DHFS does not have an adequate process to monitor agencies operating the Home and Community-Based Services Waiver programs.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved home and community-based waiver programs. Eight of the nine waivers are operated by other state agencies. As the single state Medicaid agency, DHFS is responsible for oversight and monitoring of the other state-agencies to ensure compliance with federal waiver assurances. Approximately 40,000 home and community based waiver providers are eligible to participate in the waiver programs. Monitoring procedures primarily consist of medical record reviews, reviews of annual audited financial statements, and comprehensive on-site reviews developed in accordance with the State Plan. DHFS contracts with service providers to perform the medical claim record reviews and on-site reviews over an annual sample of 600 medical claim records and 23 providers.

During our review of monitoring procedures performed by DHFS and its service providers, we noted DHFS does not have a formalized process to follow up on deficiencies identified during on-site reviews for the Brain Injury, HIV and AIDS, and Persons with Disabilities waiver programs. Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. However, no formal follow-up procedures are performed to ensure the corrective action plans were implemented or whether the deficiencies may still exist.

According to 42 CFR 431.10, the Medicaid agency is responsible for ensuring that a waiver is operated in accordance with applicable Federal regulations and the provisions of the waiver itself. According to 42 CFR 441.302, states are required to provide assurance that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of the services. Those safeguards must include adequate standards for all types of providers that provide services under the waiver; assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver; and assurance that all facilities covered by section 1616(e) of the Act, in which home and community-based services will be provided, are in compliance with applicable State standards that meet the requirements of 45 CFR Part 1397 for board and care facilities.

In addition, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws,

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regulations, and program compliance requirements. Effective internal controls should include establishing follow-up procedures on monitoring deficiencies to determine whether corrective action plans are implemented or whether the deficiencies still exist.

In discussing these conditions with DHFS officials, they stated the Bureau of Quality Management had not updated its policy and procedures for monitoring home and community based waiver providers and had not completed development of a methodology for remediation verification.

Failure to adequately monitor agencies operating Home and Community-Based Waiver programs may result in provider health and safety standard violations and unallowable costs being claimed to the program. (Finding Code 2015-023, 2014-021, 2013-019, 12-25)

Recommendation:

We recommend DHFS review its current process for monitoring agencies operating Home and Community-Based Waivers to ensure monitoring is in accordance with the federal regulations.

DHFS Response:

The Department accepts the recommendation. The Department has finalized policy and procedures for monitoring home and community-based waiver providers, as well as, developed a methodology for remediation verification and a remediation tool.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-024 *Inaccurate Reporting of Federal Expenditures*

DHFS did not accurately report Federal expenditures under the Medicaid Cluster program.

DHFS inaccurately reported federal expenditures, which were used to prepare the schedule of expenditures of federal awards (SEFA), to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for DHFS’ major programs for the year ended June 30, 2015:

Program	Amounts per DHFS’ Records	Amounts Initially Reported to the IOC	Difference
Medicaid Cluster	\$11,021,861,000	\$11,021,872,000	(\$11,000)

We also noted a correction to the SEFA was necessary to accurately identify DHFS’ federal expenditures under the ARRA – Medical Assistance program of \$71,405,000.

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following major program:

Program	Amounts per DHFS’ Records	Amounts Initially Reported to the IOC	Difference
Medicaid Cluster	\$53,629,000	\$62,649,000	(\$9,020,000)

Although the errors identified in the table above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate errors of this nature outside of the audit process. Accordingly, an error which maybe material to the SEFA in qualitative terms could occur and not be detected by the State.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

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In discussing these conditions with DHFS officials, they stated the expenditure difference was noted, but not adjusted due to the late timing and small dollar amount. The subrecipient difference represents the federal share of cost adjustment payments to local health departments.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-024, 2014-022)

Recommendation:

We recommend DHFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

DHFS Response:

The Department accepts the recommendation. Steps will be added to compare subrecipient amounts reported in the GAAP packages to the amounts reported on the SEFA.

As the state Medicaid agency, DHFS assumes the responsibility for reporting the Medicaid cluster amounts on the SEFA, even though DHFS is not the grantee or program agency for three of the four programs in the Medicaid cluster. The amounts reported for the Medicaid program include expenditures from other state agencies and multiple local governments and school districts. The \$11,000 difference that the auditors noted was an adjustment made by another state agency very late in the process and DHFS elected to not adjust the SEFA at that time.

The \$9,020,000 difference in subrecipient expenditures represents payments to local health departments for the federal share of their costs above the service rates originally paid. These payments have not been included as sub-recipient payments on the SEFA in prior years. The amount shown as reported to the IOC is the total of all federal share pass through payments on the modified accrual basis. In DHFS' opinion the cost adjustment payments to the local health departments were not included as subrecipient payments because they are not administrative in nature.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 (\$126,064,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-025 *Failure to Obtain Suspension and Debarment Certifications from Vendors*

DHFS did not obtain required certifications that vendors or medical providers were not suspended or debarred from participation in Federal assistance programs for the Child Support Enforcement (Child Support); Children's Health Insurance Program (CHIP); and Medicaid Cluster programs.

During our review of 20 vendors of the Child Support program and 20 vendors allocated to all federal programs, we noted certifications were not obtained from five vendors to indicate whether or not these vendors were suspended or debarred from participation in Federal assistance programs. Additionally, DHFS did not perform a verification check with the System for Award Management (SAM) maintained by the U.S. Government. We also noted DHFS has not developed procedures to perform verification checks of medical providers with SAM as required by federal regulations.

Payments to vendors allocated to the Child Support, CHIP, and Medicaid Cluster Programs totaled \$9,948,000, \$10,494,000, and \$482,803,000, respectively, during the year ended June 30, 2015. Payments made to providers on the behalf of beneficiaries of the CHIP and Medicaid programs were \$272,858,000 and \$10,369,578,000, respectively, during the year ended June 30, 2015.

According to 45 CFR 74.13, subawards and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in the Federal assistance programs or activities under Executive Order 12549 and 12689, "Debarment and Suspension," are prohibited. According to 42 CFR 455.436, effective March 25, 2011, a state is required to perform verification checks of providers with the "List of Excluded Individuals/Entities" maintained by the USDHHS and the SAM maintained by the U.S. Government no less frequently than monthly. The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with DHFS officials, they stated that the five vendors identified as exceptions were procured by the Illinois Department of Central Management Services (DCMS) under master contracts and the Department relied on procedures performed by DCMS.

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Failure to perform verification procedures with the SAM could result in the awarding of Federal funds to vendors that are suspended or debarred from participation in Federal assistance programs. (Finding Code 2015-025, 2014-023, 2013-020, 12-23, 11-31, 10-32, 09-24)

Recommendation:

We recommend DHFS establish procedures to ensure that vendors contracting with DHFS are not suspended or debarred or otherwise excluded from participation in Federal assistance programs. We also recommend DHFS work with agencies contracting with vendors on the behalf of DHFS to ensure the suspension and debarment certifications are included or the SAM is checked.

DHFS Response:

The Department accepts the recommendation. The Department has worked with the Chief Procurement Officer's office to ensure the proper language is included in master contracts procured by DCMS. DHFS will develop a mechanism to ensure the SAM is checked for those vendors procured by DCMS to ensure these certifications are obtained.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 (\$126,064,000)
93.767 (\$298,905,000)
93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-026 *Inadequate Controls over Information Systems*

DHFS does not have adequate program access controls over information systems used to pay medical benefits to beneficiaries and record program expenditures.

The information technology applications that support the DHFS major programs include the following:

- *Programmatic and Administrative Accounting System (PAAS)* – serves as the financial accounting database for all of DHFS' federal programs and State-funded programs. This system is used by DHFS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Medicaid Management Information System (MMIS)* – serves as the main system used to process the State's Medicaid activities, including the monthly collection, validation, and processing of Medicaid claims under the Medicaid Cluster program.
- *Key Information Delivery System (KIDS)* – serves as the child support system that processes benefit claims for children's healthcare under the Child Support Enforcement program.

During our testwork over user access to the State's network and DHFS' applications, we noted DHFS requires an annual certification to be completed for each user granted access. The annual certification requires each user's immediate supervisor to view the user's access permissions and certify those permissions continue to be appropriate. During our testing of 25 users, we noted two individuals for which certifications were not completed during fiscal year 2015.

In addition, we noted the password settings for access to the PAAS server do not conform to the State's policy for minimum password length and the account lockout requirements.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured.

In discussing these conditions with DHFS officials, they stated there is a system operating issue that cannot conform to the password expiration requirement. In addition, the account lockout requirement and missing employee user access permission was an oversight.

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Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2015-026)

Recommendation:

We recommend DHFS follow its established policies and procedures to ensure access to its information systems are adequately secured.

DHFS Response:

The Department accepts the recommendation. The Department will remind supervisors to perform user access reviews on an annual basis and implement a requirement to lock users out after three attempts. The Department however, will be unable to update the password length requirement until there is a system update.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658/93.658ARRA (\$191,238,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-027 *Possible Unallowable Costs Charged to the Foster Care Program*

DCFS identified adequate documentation may not have been obtained and maintained in beneficiary case files supporting eligibility determinations made related to Foster Care – Title IV-E (Foster Care) maintenance payments claimed for Federal reimbursement.

The objective of the Foster Care program administered by DCFS is to provide safe, appropriate, substitute care for children in Illinois in need of temporary placement and care outside their homes. Subsequent to the planned completion of our audit procedures, DCFS disclosed an internal review of Foster Care beneficiary eligibility files conducted in early 2016 had identified several instances of potential noncompliance with program regulations related to required court orders and inadequate documentation of family income information used to establish the eligibility of Foster Care beneficiaries. While some testing has occurred, the results of DCFS' analysis and conclusions as to the extent and magnitude of these potential errors has not been completed. As a result, due to the timing of this audit, we were not able to apply other audit procedures to satisfy ourselves as to whether payments made and claimed for federal reimbursement by DCFS were on behalf of eligible beneficiaries or to enable us to express an opinion on compliance for this program.

Foster Care maintenance payments are allowable only if the foster child was removed from the home of a relative specified in Section 406(a) of the Social Security Act, as in effect on July 16, 1996, and placed in foster care by means of a judicial determination, as defined in 42 USC 672(a)(2), or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f), 42 USC 672(a)(1) and (2) and 45 CFR section 1356.21.

In discussing these conditions with DCFS officials, they stated during a January - March 2016 internal review of one region's case files submitted for reimbursement, the Department determined that all documentation necessary for reimbursement may not have been adequately collected or retained. As a result, the Department initiated a project to conduct a comprehensive review of its procedures and controls around case documentation required to meet statutory compliance and reimbursement requirements.

Due to our inability to evaluate DCFS' compliance with the provisions of laws and regulations related to the eligibility of Foster Care beneficiaries and the related allowability of payments made on behalf of those beneficiaries, we were unable to perform sufficient audit procedures to satisfy ourselves whether DCFS complied with the requirements that are applicable to the Foster Care program. (Finding Code 2015-027)

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Recommendation:

We recommend DCFS continue to review its procedures for payment of Foster Care benefits and implement changes necessary to ensure benefits are only paid on behalf of eligible individuals.

DCFS Response:

The Department is continuing with its review of procedures for payments of Foster Care benefits initiated in 2016 to resolve this matter:

- Our FFP unit will follow-up on collection of all transcript requests.
- FFP will perform a detailed review of 25 of the original cases deemed eligible in the initial sample conducted.
- A final list of cases deemed eligible for back out from previously claimed amounts will be developed.
- Procedures followed to obtain case file documentation will be revisited and changes proposed, as considered necessary, to provide documentation to meet statutory and compliance requirements for case work and eligibility determination purposes.
- Administrative control procedures will be revisited and changes made as needed.
- Training and re-enforcement training procedures will be revised to include changes made to documentation and review procedures.

We expect to complete implementation by September 2016.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 (\$84,479,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-028 *Failure to Properly Document or Execute Adoption Assistance Agreements*

DCFS made recurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements.

The adoption assistance program provides funds to States for benefit payments to parents who adopt eligible children with special needs. Under this program, DCFS is required to enter into adoption assistance agreements with adoptive parents who receive subsidy payments or reimbursement of nonrecurring adoption expenses on behalf of a special needs child. The adoption assistance agreement specifies the nature and amount of monthly assistance to be given to parents, as well as the nonrecurring expenses that will be reimbursed. The agreement must be executed prior to the finalization of the adoption.

During our testwork of adoption assistance beneficiary payments, we reviewed 50 case files and related benefit payments (totaling \$59,107) for compliance with eligibility requirements and allowability of related benefits. We noted the following:

- One beneficiary assistance subsidy payment sampled was greater than the subsidy amount documented in the approved adoption assistance agreement. The sampled payment was \$610; whereas, the payment amount in the approved adoption agreement was \$599.01. The case records did not contain documentation supporting for another amount or documenting the revised amount had been agreed to by the State and adopting parents. Accordingly, the sampled payment made was \$10.99 more than amount in the agreement. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of this error on the population.
- One beneficiary assistance subsidy payment sampled was supported by an amended adoption agreement; however, a medical determination or other documentation was not available to support the increased subsidy amount as required by program regulations. The sampled payment was \$1,018.96; whereas, the payment approved in the original adoption agreement was \$544. Accordingly, the sampled payment made was \$474.96 more than amount in the agreement. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of this error on the population.

Total assistance subsidy payments on behalf of program beneficiaries were \$63,336,000 during the year ended June 30, 2015.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost

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reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 675(3), the agreement for the subsidy must contain information concerning the nature and amount of payments to be provided and be signed and in effect prior to the final adoption decree. According to 42 USC 673 (a)(3), the amount of the payments to be made...shall be determined through agreement between the adoptive parents and the State...which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adoption assistance subsidy payments are consistent with approved adoption assistance agreements or changes are documented and approved by the State and adoptive parents.

In discussing these conditions with DCFS officials, they stated the \$10.99 rate difference was attributable to a clerical error at the time the adoption agreement was prepared in 2006. The \$474.96 rate difference was attributable to missing medical documentation supporting the higher specialized care rate (medical documentation for later determinations was available).

Failure to maintain case file documentation, including documentation support changes in the amount of the subsidy paid, may result in payments to ineligible beneficiaries, which are unallowable costs. (Finding Code 2015-028, 2014-025)

Recommendation:

We recommend DCFS implement procedures to ensure adoption assistance subsidy payments are consistent with the approved subsidy payment amount in the adoption assistance agreement and to obtain and include proper supporting documentation for subsidy payment changes in the adoption assistance case files.

DCFS Response:

The Department agrees with the recommendation. In 2014 the Department of Children and Family Services consolidated Adoption, Post Adoption and Subsidy Approval functions into one unit. The subsidy approval functions include initial approvals of all DCFS and Purchase of Service adoption and guardianship subsidies. This also includes the preparation and approvals of all amended subsidies.

All adoption and guardianship subsidy files, including all supporting documentation are maintained in one controlled area per regional offices. The current process will ensure the approval and monitoring of all subsidy agreements and that all supporting documentation is located in the subsidy files.

All subsidy case openings are completed within the Adoption Regional Units. It is a requirement that supervisors of staff entering subsidy data review all openings and data entries for accuracy. This will assure that subsidy payments are consistent with the approved payment amounts in the adoption assistance agreements.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658/93.658ARRA (\$191,238,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-029 *Failure to Properly Administer Foster Care Maintenance Assistance Payments*

DCFS made payments of day care foster care benefits that were not properly supported by approved day care rate schedules.

The foster care program provides funds to States for maintenance assistance payments to provide substitute care for children who are under the jurisdiction of a Title IV-E agency and who need temporary placement or care outside their homes. The funds must be expended in accordance with the Title IV-E agency's maintenance payment rate schedule.

During our testwork of foster care maintenance assistance payments, we reviewed 50 case files and related benefit payments (totaling \$121,324) for compliance with eligibility requirements and allowability of related benefits. We noted the following:

- One maintenance day care assistance payment sampled was calculated incorrectly. The sampled payment was \$597.66, which was calculated based on the number of days the child attended day care multiplied by the daily day care provider rate entered into the system. The calculation, however, was not properly adjusted to split rates during the service month as the child's birthday caused a rate decrease part-way through the month. The correct calculation utilizing both approved daily day care provider rates would have resulted in a payment of \$513.24. Accordingly, the sampled payment made was \$84.42 more than permitted by the approved rate schedule. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of this error on the population.
- Two maintenance day care assistance payments sampled were not supported by the approved DCFS day care rate schedule. The sampled payments were \$148.20 and \$631.80, which were calculated based on the number of days the child attended day care multiplied by the daily day care provider rate entered into the system. The daily provider rates entered in the day care system were \$29.64 and \$31.59, respectively; whereas, the approved DCFS day care rate schedule listed provider rates of \$29.34 and \$31.57, respectively. Accordingly, the sampled payments made were \$1.50 and 40¢ more than permitted by the approved rate schedule. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

Total foster care maintenance assistance payments on behalf of program beneficiaries were \$75,490,269 during the year ended June 30, 2015.

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OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 671(a)(11) and 45 CFR 1356.21, the amount of payments made as foster care maintenance payments are periodically reviewed to assure their appropriateness.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure foster care day care maintenance assistance payments are consistent with approved DCFS payment rate schedules.

In discussing these conditions with DCFS officials, they stated the discrepancies were the result of outdated processes in the Child Care System (CCS) that are currently being addressed. In the first sample cited, the Cook County segment of CSS required manual adjustment of mid-month rate change due to birthdays, which has since been automated; the discrepancies in the remaining items cited were due to clerical errors resulting in daily rate overpayments of \$.30 and \$.02, respectively.

Failure to ensure payment calculations are properly performed and approved provider rates are accurately entered in the system may result in unallowable costs. (Finding Code 2015-029)

Recommendation:

We recommend DCFS implement procedures to ensure foster care maintenance payments are properly calculated and consistent with the approved DCFS payment rate schedules.

DCFS Response:

The Department agrees. The Department has begun a process to upgrade day care policies and procedures, beginning with programming changes implemented in the Child Care System (CSS) in February, 2016 to eliminate the rate change errors.

In addition, the Department plans to further investigate procedures around the day care payment system and to provide statewide day care training for DCFS employees and private agency staff.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658/93.658ARRA (\$191,238,000)
93.659 (\$84,479,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-030 *Inadequate Process for Reconciling Cash Balances to IOC's Records*

DCFS does not have an adequate process to reconcile its cash balances to the records of the Illinois Office of the Comptroller (IOC).

DCFS is the state agency responsible for expending program funds and requesting federal cash reimbursement for expenditures under the Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs. The IOC is the official record keeper of the State and is responsible for paying vouchers processed by DCFS and other state agencies. DCFS is required to reconcile its records to the IOC records on a monthly basis and resolve any reconciling items on a timely basis.

During our testwork over the monthly cash reconciliation process, we noted DCFS did not perform a reconciliation for the month of April 2015 and the reconciliations for December 2014, January 2015, February 2015, and March 2015 did not contain evidence of a supervisory review.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring that: (1) cash reconciliations are performed to an appropriate level of precision, (2) all reconciling items are adequately explained, and (3) supervisory reviews are performed and documented.

In discussing these conditions with DCFS officials, they stated they have adequate procedures for preparation and review of account reconciliations, but personnel vacancies have affected the timeliness of certain procedures during the audit period.

Failure to appropriately reconcile cash records may result in inaccurate financial reporting and drawing federal funds in excess of expenditures incurred. (Finding Code 2015-030, 2014-027)

Recommendation:

We recommend DCFS implement procedures to ensure: (1) reconciliations are performed to an appropriate level of precision, (2) all reconciling items are researched and resolved, and (3) supervisory reviews are performed and documented.

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DCFS Response:

The Department agrees and is in the process of reviewing existing procedures and will change, as needed, those procedures necessary to make sure the monthly reconciliations are complete and accurate, and will retrain individuals on the duties and responsibilities for the tasks as needed. The preparer and the reviewer will be required to sign off on the reconciliations and maintain them for an appropriate period.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Welfare Services – State Grants

CFDA # and Program Expenditures: 93.645 (\$10,149,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-031 *Failure to Ensure Timely Preparation of Initial Case Plans*

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS' plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS' plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information.

During a review of 40 case files selected for testwork, we noted five of the initial case plans were completed within a range of 4 to 175 days over the 60-day federal requirement.

According to 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. Per State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable time frame as 45 days.

In discussing these conditions with DCFS officials, they stated timely preparation of case plans is essential in order for the Department to provide appropriate services to beneficiaries. In addition to internal agency procedure and purchase of service staffing issues, numerous outside factors can influence the timely completion of case plans and coordination. Services are put in place regardless of whether there is a completed service plan.

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law. (Finding Code 2015-031, 2014-028, 2013-028, 12-38, 11-46, 10-42, 09-39, 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

Recommendation:

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal requirements.

DCFS Response:

The Department agrees with the recommendation. Department permanency procedure 315 has been revised and enhanced. Statewide permanency practice training began on February 1, 2016. Service planning, timely

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completion and filing of plans is addressed as part of the procedural and training information provided to the field staff. Additionally, the training will demonstrate how timely service plans positively impact children and families which can lead to better outcomes and timely permanency achievement.

Timely completion of initial service plans is being monitored and measured for Purchase of Service staff through the DCFS performance based contracting dashboard. DCFS performance is also monitored for this outcome. This includes at various levels from statewide to team level. The Department is currently working to restructure the Agency Performance Monitoring role with an emphasis on permanency and the metrics associated with positive outcomes, which includes timely completion of initial service plans and service delivery. A corrective action plan is also initiated when performance is below the benchmark. Plans are underway to possibly monitor DCFS outcomes by the monitoring unit much in the same way as purchase of service providers are. It is anticipated that this may start in late spring of 2016. As a result, performance and compliance should increase.

It was also determined that the starting point for the initial service plan and the Integrated Assessment was not congruent in that one began at protective custody and the other began at temporary custody therefore losing anywhere from three to seven days. Programmatic changes are being made to ensure timeframes are in alignment with each other since the caseworker depends on information from the integrated assessment to ensure appropriate services are being offered, arranged and provided. Implementing this change will also help improve compliance with timeframes.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.558/93.714ARRA (\$590,890,000)
93.658/93.658ARRA (\$191,238,000)
93.659 (\$84,479,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-032 *Inadequate Controls over Information Systems*

DCFS does not have controls over systems used to document beneficiary eligibility determinations or to record program expenditures.

DCFS utilizes a federal claiming system to determine which expenditures can be claimed under the various federal programs. The system queries the general ledger and eligibility database in order to match expenditures to a beneficiary. Based on the eligibility of the beneficiary, the expenditure is further analyzed by the claiming system for allowability under the federal program for which the beneficiary is eligible. The claiming system applies the applicable eligibility percentage to the expenditure established for the program. Reports generated from the system are used to calculate the amount of expenditures claimable for federal reimbursement and to prepare the quarterly claim reports.

During our testwork, we noted DCFS was not able to generate a list of changes made to its information systems directly from each application. DCFS was able to provide a list of changes from the mainframe source control library and from the database used to track system changes; however, DCFS could not reconcile the changes on the listings. Accordingly, we were unable to determine whether the lists of system changes provided by DCFS during our audit were complete.

In addition, we noted DCFS does not have procedures in place to review access rights for users at provider organizations who have been contracted to assist DCFS in performing and documenting case work. DCFS' IT policies do not currently address users with organizations outside of DCFS.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with DCFS officials, they stated the Department has the ability to generate, on request, a list of programs that were changed and any selected detail on request. Cross referencing the program changes with the supporting PDF documents was a manual process that required extensive time to reconcile.

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For the Year Ended June 30, 2015

Failure to adequately control the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2015-032, 2014-029, 2013-029, 12-40)

Recommendation:

We recommend DCFS implement procedures to ensure access to its information systems is adequately secured and to generate a complete list of program changes from its information systems and applications. Additionally, we recommend DCFS addresses processes relative to users employed by provider organizations.

DCFS Response:

The Department agrees with the recommendation. The Department has changed its process to store in a Database: (1) the requested change, (2) the program move sheet information, and (3) the approvals for the change. The Department implemented a process where a log entry is automatically recorded every time a program change occurs. This log also contains a reference number that ties the production move to the request database. This change was fully implemented July 1, 2015.

In order to control access rights by contract providers, the Department extracts lists of terminated employees to match against monthly provider employee rosters to verify that access to Departmental programs has been terminated. The HelpDesk creates “disable system access” requests for anyone on this list that had access to the DCFS network.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges
Social Services Block Grant
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.525 (\$73,984,000)
93.667 (\$65,180,000)
93.917 (\$35,753,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-033 Failure to Obtain and Review Subrecipient OMB Circular A-133 Audit Reports

IDPH did not obtain or review OMB Circular A-133 audit reports for subrecipients of the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges), Social Services Block Grant (Title XX), and HIV Care Formula Grants (HIV Care) programs.

IDPH requires subrecipients expending more than \$500,000 in federal awards during the subrecipient's fiscal year to submit OMB Circular A-133 audit reports. IDPH finance staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records; and (3) Type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

During our testwork over 15 subrecipients of the ACA Exchanges program (with expenditures totaling \$5,223,681) and 15 subrecipients of HIV Care program (with expenditures totaling \$1,444,158), we noted IDPH had not obtained or reviewed OMB Circular A-133 audit reports for any of the subrecipients selected for testing. We also noted IDPH passed through approximately \$4.7 million to subrecipients under the Title XX program. Upon further review, we determined that OMB Circular A-133 audit reports had not been obtained or reviewed for any ACA Exchanges, Title XX, or HIV Care subrecipients during the year ended June 30, 2015.

Subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	Percentage
ACA Exchanges	\$25,710,000	\$73,984,000	34.8%
Title XX	4,731,000	65,180,000	7.3%
HIV Care	8,420,000	35,753,000	23.6%

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For the Year Ended June 30, 2015

According to OMB Circular A-133 §___.400(d), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated June 2015, a pass-through entity is required to (1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure OMB Circular A-133 audit reports are obtained and reviewed in accordance with federal requirements.

In discussing these conditions with IDPH officials, they stated, due to shortage of qualified audit staff, the Department is currently limited in its ability to fully meet these requirements.

Failure to obtain and adequately review subrecipient Single Audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-033, 2014-031, 2013-032, 12-45, 11-51, 10-49, 09-44, 08-48, 07-45, 06-46, 05-56)

Recommendation:

We recommend IDPH establish procedures to ensure all subrecipients expending federal awards have audits performed in accordance with OMB Circular A-133. Additionally, desk reviews of OMB Circular A-133 audit reports should be formally documented using an A-133 desk review checklist which includes procedures to determine whether: (1) the audit reports meet the audit requirements of OMB Circular A-133, (2) federal funds reported in the scheduled expenditure of federal awards reconcile to IDPH records, and (3) Type A programs are audited at least once every three years.

IDPH Response:

The Department concurs with the finding and recommendation. Due to retirements and a lag in the ability to fill positions in recent months, the previous agency practices related to A-133 submissions have lapsed.

We anticipate that the position that had been responsible for logging and tracking A-133 submissions will be filled in the spring of 2016. IDPH will work to develop a written policy for the collection, assessment, and tracking of A-133 submissions from grantees to be implemented with the appropriate staffing to accomplish the needed tasks. Prior to an August 2015 retirement of the staff person who was receiving the A-133 audit reports, the receipt of these reports was being recorded in a spreadsheet and, if reports were not forwarded within 90-days of the subrecipient's year end, notices were issued to the sub-recipient regarding the delinquency.

In the interim, written policies and procedures that cover the (1) receipt of A-133 reports; (2) monitoring and notification of noncompliance with 90-day submission of reports requirement; and (3) reconciliation of SEFA reported amounts to IDPH records, will be drafted but will not be finalized until the State of Illinois finalizes its statewide Grants Accountability and Transparency Act (GATA) policies and procedures to ensure consistency.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)
Award Numbers: See table of award numbers
Questioned Costs: None
Finding 2015-034 *Failure to Investigate Provider Complaints within Required Timeframes*

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required time frames.

The Office of Health Care within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within seven days of receipt. As the time frames for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State time frames are required to be followed.

During our testwork of 40 complaints filed against Medicaid providers during the year ended June 30, 2015, we identified 12 complaints that were not investigated within the time frames required by the State's law. The delays in investigating these complaints ranged from 13 to 193 days in excess of required time frames.

According to Section 5010 of the Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are at least as stringent as those included in federal regulations. Additionally, the Nursing Home Care Act (210 ILCS 45/3-702(d)) requires complaints to be investigated within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure provider complaints are investigated within required timeframes.

In discussing these conditions with IDPH officials, they stated, due to hiring delays and the necessary mandated training of newly hired staff, some complaints are not being investigated within the necessary time frames.

Failure to investigate complaints against Medicaid providers within required time frames may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries. (Finding Code 2015-034, 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

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For the Year Ended June 30, 2015

Recommendation:

We recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the time frames required by State law.

IDPH Response:

The Department concurs with the finding and recommendation. The Office of Health Care Regulation continues to actively allocate increased resources (surveyors) to ensure timely completion of all complaints. Surveyors are shared between regions to assist, when necessary, to meet required time frames. Regional supervisors are accessing complaint reports on a daily basis to stay ahead of the due date for complaint investigations. The Department has significantly reduced the backlog of complaints.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778ARRA (\$11,021,872,000)
Award Numbers: See table of award numbers
Questioned Costs: None
Finding 2015-035 *Inadequate Procedures to Verify Provider Licenses*

IDPH does not have adequate procedures to verify medical providers are properly licensed in accordance with applicable State laws.

During our testwork over the licensing of 44 providers of the Medicaid Cluster program for the year ended June 30, 2015, we noted licenses were not on file for four providers sampled. Upon further review with IDPH personnel, we noted these providers were end-stage renal disease facilities and IDPH stated this provider type was not required to be licensed. The Centers for Medicare and Medicaid Services (CMS) State Operations Manual for End-Stage Renal Disease Facilities section 405.2135 requires these facilities to be licensed if State law provides for the licensure of such facilities. The Illinois End-Stage Renal Disease (ESRD) Facility Act (210 ILCS 62/10) states that no person shall open, manage, conduct, offer, maintain, or advertise an end-stage renal disease facility without a valid license issued by the State.

Payments to these providers under the Medicaid Cluster totaled \$4,807,342,251 during the year ended June 30, 2015. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled \$15,539,592 during the year ended June 30, 2015.

According to 42 CFR 455.412, IDPH is required to have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State and to confirm that the provider's license has not expired and that there are no current limitations on the provider's license. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

In discussing these conditions with IDPH officials, they stated, due to delays in convening the ESRD advisory board and the complexity of writing rules for ESRD facilities, rules are not yet completed.

Failure to verify that providers have met the State licensing requirements directly with licensing agencies inhibits the State's ability to determine provider eligibility and could result in payments being made to ineligible providers, which are unallowable. (Finding Code 2015-035, 2014-033, 2013-036, 12-48, 11-55)

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Recommendation:

We recommend IDPH implement policies and procedures to verify providers have met the State licensing requirements directly with licensing agencies upon enrollment and on a periodic basis.

IDPH Response:

The Department concurs with the finding and recommendation. The ESRD Advisory Board met on April 14, 2015 and approved the final rules and regulations. The ESRD rules are now under the Department legal review and will be sent to the Governor's office for their legal review. When the legal review is completed, they will be submitted to the State Board of Health and then published for first public comment.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$73,984,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-036 Inaccurate Reporting of Federal Expenditures

IDOI did not accurately report Federal expenditures under the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOI's financial records. Specifically, we noted the following difference for the year ended June 30, 2015:

Program	Federal Expenditures Reported in IDOI's Records	Federal Expenditures Reported on the Final SEFA	Difference
ACA Exchanges	\$74,338,000	\$73,984,000	\$354,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with IDOI officials, they stated the difference was due to the Department using the drawdown date of funds as the expenditure date for Department of Public Health's expenditures under the grant.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-036)

Recommendation:

We recommend IDOI establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

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IDOI Response:

The Department concurs with this finding and will work with IDPH to obtain their expenditure data under the grant to ensure the Department is reporting the correct expenditure amounts in our various reporting requirements.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$73,984,000)

Award Numbers: See table of award numbers

Questioned Costs: \$2,488,093

Finding 2015-037 *Inadequate Supporting Documentation for Payroll Costs*

Adequate supporting documentation does not exist to substantiate payroll costs claimed for federal reimbursement under the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

During our testing of five payroll expenditures (totaling \$20,319) charged to the ACA Exchanges program during the year ended June 30, 2015, we noted IDOI was unable to provide adequate supporting documentation for the sampled expenditures. Upon further investigation, we noted IDOI does not obtain certifications from employees who work solely on the ACA Exchanges program to verify they spent 100% of their time on the federal program. We also noted the timesheets on file for hourly employees do not contain information detailing the activity or federal program to which the time pertained.

In addition, we noted IDOI did not have standard forms (CMS-2 forms or equivalent documentation) on file to document annual salary amounts for the payroll expenditures sampled. The CMS-2 form is used to document the approval of the salary amount, as well as the position code and cost center(s) to which each employee is assigned. IDOI has indicated that CMS-2 forms are not required as the employees are provided by Government Office of Management and Budget (GOMB) under an interagency agreement which identifies the employees and related salary amounts to be shared between GOMB and the IDOI. The interagency agreement does not identify the position code or cost center for the employees or provide evidence that the State's payroll control procedures have been followed.

Total payroll and fringe benefits costs charged to the ACA Exchanges program for the fiscal year ended June 30, 2015 were \$2,488,093.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented.

OMB Circular A-87, Attachment B, Item 8(h)(3) requires that if an employee works solely on one federal program and 100% of their salary or wages are charged to the program, the State must obtain a certification from the employee or their direct supervisor that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months. OMB Circular A-87,

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Attachment B, Item 8(h)(4) and (5) requires that if an employee works on multiple activities or cost objectives, the distribution of their salaries or wages must be supported by personnel activity reports. The personnel activity report must reflect an after the fact determination, account for total activity of the employee, be prepared at least monthly, and be signed by the employee.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required documentation is obtained to support payroll charges and to maintain documentation evidencing management approval of payroll information.

In discussing these conditions with IDOI officials, they stated the certifications were not obtained and CMS-2 forms or equivalent documentation were not on file due to the Get Covered Illinois (GCI) staff being under the Governor's Office of Management and Budget during State fiscal year 2015 which does not require this type of documentation.

Inadequate documentation of payroll costs may result in the federal funds being expended for unallowable purposes. (Finding Code 2015-037, 2014-034)

Recommendation:

We recommend IDOI implement procedures to properly document payroll costs in accordance with the applicable program guidance.

IDOI Response:

The Department concurs with the finding and will review the federal guidelines and develop a process to document staff certification of time spent on the ACA Exchanges Program. Further, now that GCI staff is under the Department, all GCI staff have CMS-2 forms on file.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$73,984,000)

Award Numbers: See table of award numbers

Questioned Costs: \$450

Finding 2015-038 *Unallowable Costs Charged to the ACA Exchanges Program*

IDOI could not provide supporting documentation for certain costs charged to the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

During our testing of 40 contractual expenditures (totaling \$24,286,840) charged to the ACA Exchanges program during the year ended June 30, 2015, we noted IDOI was unable to provide supporting documentation to substantiate one contractual expenditure (totaling \$450).

Total contractual expenditures charged to the ACA Exchanges program for the fiscal year ended June 30, 2015 were \$45,286,000.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required documentation is obtained for all program expenditures.

In discussing these conditions with IDOI officials, they stated documentation was misplaced due to various staff turnover within Get Covered Illinois.

Inadequate documentation of program costs may result in the federal funds being expended for unallowable purposes. (Finding Code 2015-038, 2014-035)

Recommendation:

We recommend IDOI implement procedures to properly document program costs in accordance with the applicable program guidance.

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IDOI Response:

The Department concurs with the finding and has placed additional controls and processes in place, effective July 2015, to ensure that all supporting documentation is maintained going forward.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$73,984,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-039 *Inaccurate ACA Exchanges Financial Reports*

IDOI did not prepare accurate financial reports for the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

IDOI is required to prepare financial status (SF-425) reports on a quarterly basis and Budget Supplement (Budget) reports on a monthly basis for the ACA Exchanges program. During our testwork of two quarterly SF-425 reports and three monthly Budget reports, we noted several errors in the preparation of the reports. Specifically, amounts reported did not agree to supporting documentation or only reported current period (quarterly or monthly) activity where cumulative information was required resulting in the following differences:

Report Type (Period Ended)	Report Line Item	Amount Reported	Actual Amount	Variance
SF-425 (9/30/14)	Cash receipts	\$27,999,598	\$77,334,830	\$49,335,232
SF-425 (9/30/14)	Cash disbursements	492,125	53,537,249	53,045,124
SF-425 (3/31/15)	Cash receipts	14,371,835	123,659,335	109,287,500
SF-425 (3/31/15)	Cash disbursements	14,377,716	81,401,036	67,233,320
Stage II Budget (2/28/15)	Total federal expenditures	4,616,456	15,925,826	11,309,370
Stage III Budget (2/28/15)	Total federal expenditures	1,458,521	50,792,447	49,333,926
Stage III Budget (5/31/15)	Total federal expenditures	52,461,431	92,703,866	40,242,435

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDOI personnel are accurate. Specifically, we

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noted IDOI does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to 45 CFR 92.41, IDOI is required to submit quarterly financial status reports (known as SF-425 reports) within 30 days after the reporting period. According to paragraph 9 of the Cooperative Agreement for the State of Illinois to Support Establishment of the ACA's Health Insurance Exchanges Level One Establishment Special Terms and Conditions incorporated into the Grant Agreements, IDOI is required to submit a Budget Supplement report on a monthly basis to report cumulative financial expenditures through two months prior to the reporting deadline. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

In discussing these conditions with IDOI officials, they stated discrepancies noted were the result of Get Covered Illinois (GCI) staff not being properly trained in federal reporting requirements.

Failure to accurately prepare and review financial reports prevents the USDHHS from effectively monitoring the ACA Exchanges program. (Finding Code 2015-039, 2014-039)

Recommendation:

We recommend IDOI review the process and procedures in place to prepare financial reports required for the ACA Exchanges program and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records.

IDOI Response:

The Department concurs with this finding. During Fiscal Year 2015, GCI's finance division was primarily composed of only one employee who was not properly trained in federal reporting, and therefore, incorrectly reported the receipts and disbursements on required federal reporting. GCI has since reviewed the requirements of the various federal reports and established a consistent and correct method to report the receipts and disbursements.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$73,984,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-040 *Failure to Draw Funds Only for Immediate Cash Needs*

IDOI did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 40 expenditures (totaling \$24,286,839) funded under the advanced basis related to the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program, we noted warrants were not issued for 9 expenditure vouchers (totaling \$3,359,120) within three business days of receiving federal funds to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 4 to 24 business days.

Total contractual service expenditures for the ACA Exchanges program administered by IDOI were \$45,286,000 during the year ended June 30, 2015.

According to 45 CFR 92.21(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than \$70,864,000 in expenditures follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

In discussing these conditions with IDOI officials, they stated the excess days noted were the result of expenditure and receipt processing being segregated across Administrative and Regulatory (A&R) Shared Services, the Comptroller's Office, and the State Treasurer.

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government. (Finding Code 2015-040, 2014-037)

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Recommendation:

We recommend IDOI implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

IDOI Response:

The Department concurs with this finding and will continue to maintain communication with A&R Shared Services, the Comptroller's Office, and the State Treasurer to minimize the time between the drawdown of funds and the expenditure. Once voucher processing is reintegrated back into the Department from A&R Shared Services, that should allow for more control over the expenditure processing to better allow the Department to stay within the three business day requirement.

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For the Year Ended June 30, 2015

State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Improving Teacher Quality State Grants

CFDA # and Program Expenditures: 84.010 (\$613,109,000)
84.027/84.173 (\$508,186,000)
84.287 (\$36,084,000)
84.367 (\$95,734,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-041 Failure to Follow On-Site Monitoring Plan for Subrecipients

ISBE did not perform adequate on-site subrecipient monitoring procedures in accordance with its established monitoring plan for the Title I Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Twenty-First Century Community Learning Centers (21st Century), and Improving Teacher Quality State Grants (Title II) programs.

ISBE selects subrecipients of certain USDE programs to perform on-site fiscal and administrative monitoring procedures using a risk based approach. These risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity. Once the subrecipients are selected, ISBE selects programs and individual locations within each subrecipient for review. ISBE also has established formal reporting requirements and timelines for completing its on-site monitoring procedures.

During our review of the subrecipients selected for review, we noted one subrecipient common across all Education programs which represented the single largest subrecipient for each program. As we reviewed the monitoring procedures performed for this subrecipient, we noted the procedures performed were limited to on-site reviews of nine schools and analytical expenditure reviews at additional schools for the purpose of determining whether further on-site reviews were deemed necessary, within the school district which has in excess of 600 schools. We also noted no on-site monitoring procedures were performed for the 21st Century program at this subrecipient. Given the significance of this individual subrecipient, we do not believe the on-site monitoring procedures performed by ISBE during the year ended June 30, 2015 were adequate. Expenditures to this subrecipient under the above referenced USDE programs were as follows:

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Program Name	Expenditures for Individually Significant Subrecipient	Amounts Passed-Through to All Subrecipients	Percentage
Title I	\$250,054,000	\$609,690,000	41.0%
Special Education	110,896,000	495,682,000	22.4%
21 st Century	5,749,000	34,450,000	16.7%
Title II	34,196,000	92,514,000	37.0%

We also noted ISBE did not follow timeframes established in its on-site monitoring plan for communicating findings and closing out monitoring files. Specifically, during our testwork of 27 subrecipient on-site monitoring files, we noted ISBE did not complete 17 reviews within 90 days of receipt and did not close out 8 reviews within 90 days of receipt of the subrecipients' corrective action plan. Timeframes for completing these activities were as follows:

Days from Notification of Findings until Monitoring Report Issuance	Number of Subrecipients Receiving Untimely Notification of Findings	Number of Subrecipients Whose Monitoring Files Were Not Closed Timely
91-120	13	3
121-150	2	3
151-180	1	1
180+	1	1

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program Name	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	Percentage
Title I	\$609,690,000	\$613,109,000	99.4%
Special Education	495,682,000	508,186,000	97.5%
21 st Century	34,450,000	36,084,000	95.5%
Title II	92,514,000	95,734,000	96.6%

According to OMB Circular A-133 § __.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring adequate monitoring procedures are performed for individually significant subrecipients and communicating the results of monitoring procedures and closing out audit files in a timely manner.

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In discussing these conditions with ISBE officials, they stated the Division of Federal and State Monitoring continues to be critically understaffed and, in addition to meeting Federal on-site monitoring, report issuance, and file closure obligations, the Division must also address other competing agency priorities.

Failure to properly monitor subrecipients and communicate monitoring results may result in undetected noncompliance and subrecipients not properly administering Federal programs in accordance with laws, regulations, and grant agreements. (Finding Code 2015-041)

Recommendation:

We recommend ISBE review its monitoring procedures relative to individually significant subrecipients and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs. Additionally, we recommend ISBE review its procedures for communicating monitoring results and closing out audit files and implement additional procedures to ensure timely completion of these activities.

ISBE Response:

The Agency agrees with this finding. The Division of Federal and State Monitoring will modify the risk scoring process to ensure individually significant subrecipients are adequately monitored. The Division will also improve project management related to the monitoring function. This will include reviewing the procedures related to communicating monitoring results and closing out audit files to ensure timely completion of these activities while continuing to work with Human Resources to hire personnel.

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For the Year Ended June 30, 2015

State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Career and Technical Education – Basic Grants to States
CFDA # and Program Expenditures: 84.048 (\$36,924,000)
Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-042 *Failure to Conduct On-Site Monitoring Visits of CTE Program Subrecipients*

ISBE did not perform on-site fiscal reviews of subrecipients receiving federal awards under the Career and Technical Education – Basic Grants to States (CTE) program.

ISBE passed through approximately \$21,382,000 to subrecipients of the CTE program during the year ended June 30, 2015. The majority of funding was passed through to vocational schools to implement educational programs for technical careers. As a pass-through entity, ISBE monitors subrecipients of the CTE program by receiving and reviewing periodic expenditure reports. However, ISBE does not perform on-site reviews of CTE subrecipients.

According to OMB Circular A-133 §____.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated June 2015, a pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site monitoring procedures are performed for CTE subrecipients.

In discussing these conditions with ISBE officials, they stated on-site fiscal reviews are selected using a risk-based approach. During the year ended June 30, 2015, CTE subrecipients were not selected for testing via the risk matrix as the Division of Federal and State Monitoring continues to be critically understaffed and, in addition to meeting the CTE monitoring obligation, must address other competing agency priorities.

Failure to adequately monitor subrecipients may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-042)

Recommendation:

We recommend ISBE develop and implement formal monitoring procedures to perform on-site reviews to ensure subrecipients are administering its CTE program in accordance with the applicable laws and regulations.

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For the Year Ended June 30, 2015

ISBE Response:

The Agency agrees with this finding. While ISBE acknowledges CTE subrecipients were not monitored during the year ended June 30, 2015, the Division of Federal and State Monitoring has developed and implemented formal monitoring procedures for performing on-site reviews of CTE subrecipients as evidenced by several years of such reviews being performed previously. The Division will modify the risk scoring process to ensure CTE programs are included among the subrecipients selected for testing and will continue to work with Human Resources to hire personnel.

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For the Year Ended June 30, 2015

State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Career and Technical Education – Basic Grants to States
CFDA # and Program Expenditures: 84.048 (\$36,924,000)
Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-043 *Inadequate Process for Monitoring Interagency CTE Program Expenditures*

ISBE does not have an adequate process for monitoring interagency expenditures made by the Illinois Community College Board (ICCB) under the Career and Technical Education – Basic Grants to States (CTE) program.

Federal expenditures under the CTE program are comprised of programs operated by both ISBE and ICCB. ICCB expended approximately \$14,245,000, or 39% of the total CTE program expenditures for the year ended June 30, 2015.

As the state agency responsible for administering this program, ISBE has executed an intergovernmental agreement with ICCB. The intergovernmental agreement outlines the following:

- ICCB is responsible and accountable for postsecondary/adult activities and requirements; maintenance of records on fund distribution and expenditures; performance reporting and management information systems; oversight; and all other requirements associated with the postsecondary initiative and requirements of the state plan.
- As necessary, ISBE will provide transitional assistance including historical data and programs needed to meet this requirement.
- ICCB and ISBE will collaborate throughout the duration of the period covered by the state plan to ensure that program requirements are fully met and that the secondary and postsecondary initiatives and statewide leadership activities are effectively coordinated.

ISBE’s current monitoring process consists primarily of informal inquires and the establishment of an intergovernmental agreement. However, there is no documentation that ISBE is performing other programmatic monitoring procedures to ensure that ICCB is administering the program in accordance with the provisions of laws, regulations, and the interagency grant agreement. Additionally, we noted ICCB did not obtain DUNS numbers from subrecipients prior to making awards under the CTE programs.

The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include monitoring procedures for interagency expenditures to ensure compliance with the provision of laws, regulations, and the interagency agreement.

In discussing these conditions with ISBE officials, they stated it was deemed to be unnecessary due to having an Intergovernmental Agreement with the Illinois Community College Board (ICCB) designating them the

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authority with full responsibility and accountability to administer the postsecondary/adult portion of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 funds, and that ICCB is another state agency with the same responsibilities for governance and would be audited accordingly.

Failure to properly monitor intergovernmental expenditures may result in the State not properly administering the federal programs in accordance with the provisions of laws, regulations, and the grant agreement. (Finding Code 2015-043)

Recommendation:

We recommend ISBE establish monitoring procedures to ensure ICCB is administering the CTE program in accordance with the provisions of laws, regulations, and the interagency agreement. All significant monitoring procedures and correspondence should be clearly documented.

ISBE Response:

The Agency agrees with this finding. ISBE will establish and maintain monitoring procedures to ensure ICCB is properly administering the CTE program. The Agency will begin conducting and documenting programmatic monitoring visits and audits of expenditures at ICCB.

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State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: School Improvement Grants Cluster
CFDA # and Program Expenditures: 84.377/84.388ARRA (\$42,021,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-044 *Inadequate Procedures for Monitoring of SIG Subrecipients*

ISBE did not have an adequate process in place for communicating and following up on monitoring findings for subrecipients of the School Improvement Grants Cluster (SIG) program.

ISBE's subrecipient monitoring process for the SIG program includes performing fiscal and programmatic on-site reviews, A-133 audit report desk reviews, external audit reviews, and expenditures report reviews. ISBE has developed standardized monitoring checklists for each of its federal programs which are used by ISBE personnel in performing and documenting on-site reviews.

During our review of eight monitoring files and checklists prepared for on-site reviews conducted for four SIG subrecipients (with expenditures of \$26,983,000 during the year ended June 30, 2015), we noted the following:

- ISBE identified several instances of noncompliance with program requirements which were not formally communicated to any of the subrecipients tested within 30 days of the exit conference, as required in ISBE's SIG Monitoring Manual. Monitoring reports were provided to subrecipients tested ranging from 49 to 86 days after the monitoring visits concluded.
- ISBE did not conduct exit conferences within 2 weeks of the completion of the on-site review as required in the SIG monitoring manual for 2 subrecipients tested. Delays in completing exit conferences for these subrecipients were 7 and 22 days after completion of on-site reviews.

ISBE passed through approximately \$39,730,000 of federal funding to subrecipients of the SIG program during the year ended June 30, 2015.

According to OMB Circular A-133 § __.400(d)(3), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure monitoring reports are prepared and communicated to subrecipients and exit conferences are held in a timely manner.

In discussing these conditions with ISBE officials, they stated the Division of System of Support and District Intervention continues to be critically understaffed and in addition to meeting SIG 1003(g) monitoring obligations must address other competing agency priorities.

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Failure to communicate the results of on-site monitoring reviews to subrecipients in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-044, 2014-042, 2013-037, 12-49)

Recommendation:

We recommend ISBE review its current policies and procedures for monitoring SIG subrecipients and implement additional procedures to ensure the results of on-site reviews are communicated in a timely manner.

ISBE Response:

The Agency agrees with this finding. The Division of System of Support and District Intervention developed a compliance monitoring plan/process for the Title I, Section 1003(g) School Improvement Grant which was piloted during fiscal year 2015. All deadlines established in the plan were self-imposed and estimates of the needed timeframes for implementation. The Division successfully completed monitoring visits for all SIG 1003(g) schools in fiscal year 2015 which included completion of monitoring reports and the review and approval of Corrective Action Plans to close out the monitoring process for each school. The Division of System of Support and District Intervention will modify the monitoring cycle timeline to allow for additional time to respond to grantees and will continue to work with Human Resources to hire personnel. The Division will also work with other governmental agencies who will serve as fiscal agents to secure external contractors to assist ISBE with the compliance monitoring.

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For the Year Ended June 30, 2015

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Child Nutrition Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 (\$654,346,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-045 *Inadequate Documentation of CNC Subrecipient Monitoring Procedures*

ISBE did not adequately document monitoring procedures performed for certain subrecipients of the Child Nutrition Cluster (CNC) program.

ISBE passes through Child Nutrition Cluster funding to organizations to conduct nonprofit food service programs for children under a number of individual programs, including the Summer Food Service Program (Summer Food). ISBE operates these programs in partnership with the USDA and local organizations to provide free meals to eligible children during the summer months and at other approved times when school is not in session.

During our review of monitoring reviews performed by ISBE for the CNC program during the year ended June 30, 2015, we noted ISBE did not issue monitoring reports for any on-site reviews of Summer Food program subrecipients, and accordingly, did not request corrective action plans for findings noted during these reviews.

ISBE passed through approximately \$13,491,000 in Summer Food program federal expenditures to approximately 165 subrecipients during the year ended June 30, 2015. Total expenditures under the Summer Food program were approximately \$14,062,000.

According to OMB Circular A-133 §___.400(d)(3), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. In addition, the A-102 Common Rule require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should also include procedures to ensure monitoring reports are prepared and communicated to subrecipients in a timely manner and related corrective action plans are obtained.

In discussing these conditions with ISBE officials, they stated the data system designed to issue electronic monitoring reports to subrecipients was not functional. The Nutrition and Wellness Division continues to be critically understaffed and in addition to meeting monitoring obligations must address other competing agency priorities.

Failure to adequately document monitoring procedures performed for subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2015-045)

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Recommendation:

We recommend ISBE review its current policies and procedures for monitoring Summer Food program subrecipients and implement additional procedures to ensure the results on-site reviews are appropriately communicated and related corrective action plans are obtained.

ISBE Response:

The Agency agrees with this finding. ISBE has and will continue to utilize the data system to successfully issue electronic monitoring reports to subrecipients and obtain corrective action plans. ISBE will also continue to work with all necessary parties to ensure that policies and procedures are in place to communicate on-site reviews appropriately and to ensure corrective action plans are obtained. In addition, the Nutrition and Wellness Division will continue to work with Human Resources to hire additional personnel.

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State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Improving Teacher Quality State Grants
School Improvement Grants Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 (\$654,346,000)
10.558 (\$146,991,000)
84.010 (\$613,109,000)
84.027/84.173 (\$508,186,000)
84.048 (\$36,924,000)
84.287 (\$36,084,000)
84.367 (\$95,734,000)
84.377/84.388ARRA (\$42,021,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-046 *Inadequate Review of OMB Circular A-133 Audit Reports*

ISBE did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Career and Technical Education – Basic Grants to States (CTE), Twenty-First Century Community Learning Centers (21st Century), Improving Teacher Quality State Grants (Title II), and School Improvement Grants Cluster (SIG) programs on a timely basis. Additionally, ISBE does not have a formal process in place to communicate management decisions to its subrecipients unless questioned costs are identified.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to ISBE. ISBE Program staff are responsible for reviewing these reports and issuing management decisions on any findings applicable to ISBE programs noted in the subrecipient reports. A desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

During our review of a sample of 56 subrecipient OMB Circular A-133 audit desk review files, we noted ISBE did not complete 40 of the 56 reviews in a timely manner (within 60 days of receipt). The timeframes for completing these desk reviews were as follows:

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Desk Review Period	Total Number of Subrecipients
60-90 days after receipt	6
91-120 days after receipt	7
121-150 days after receipt	5
151-180 days after receipt	13
180+ days after receipt	9

Additionally, we noted ISBE was required to issue 16 management decisions related to the 56 subrecipient A-133 desk review files tested. As discussed above, ISBE only issues formal management decisions when questioned costs are involved; since only one of the 16 subrecipient reports included findings with questioned costs, 15 of 16 required management decisions were not issued. A management decision letter was not issued within 180 days for the one subrecipient audit report that included findings with questioned costs. Upon further review of ISBE’s records, we noted a management decision on \$20,280 in questioned costs which was not communicated to the subrecipient for more than three months after the A-133 desk review was completed (more than ten months after the report was received).

ISBE’s subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	Percentage
CNC	\$651,698,000	\$654,346,000	99.6%
CACFP	145,397,000	146,991,000	98.9%
Title I	609,690,000	613,109,000	99.4%
Special Education	495,682,000	508,186,000	97.5%
CTE	21,382,000	36,924,000	57.9%
21 st Century	34,450,000	36,084,000	95.5%
Title II	92,514,000	95,734,000	96.6%
SIG	39,730,000	42,021,000	94.6%

According to OMB Circular A-133 § ____.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, OMB Circular A-133 § ____.400(d)(5) states that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure OMB Circular A-133 audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

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In discussing these conditions with ISBE officials, they stated the transition of new personnel responsible for oversight and review of the single audit function as well as inefficiencies identified within the electronic system that tracks all single audit information contributed to the cause of the finding.

Failure to review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2015-046)

Recommendation:

We recommend ISBE establish procedures to ensure subrecipient A-133 audit reports are reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133.

ISBE Response:

The Agency agrees with the finding. Management will implement improved project management of the entire single audit process that includes more frequent communication and progress reporting of the single audit function. Additional effort from existing staff will be assigned to assist with clerical functions of the single audit first review process. Management will continue to consult with Information Technology to automate some manual processes and improve efficiency within the electronic system that tracks all single audit information.

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State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Title I Grants to Local Educational Agencies
CFDA # and Program Expenditures: 84.010 (\$613,109,000)
Award Numbers: See table of award numbers
Questioned Costs: None
Finding 2015-047 *Failure to Comply with ESEA Flexibility Waiver*

ISBE did not comply with the requirements of the Elementary and Secondary Education Act (ESEA) Flexibility waiver applicable to its Title I Grants to Local Educational Agencies (Title I) program.

ISBE applied for an ESEA flexibility waiver which was granted by USDE in a letter dated April 18, 2014. Under the conditions of its ESEA flexibility waiver, ISBE is required to identify and report on three categories of schools to USDE and the public. The categories of schools are: (1) reward schools; (2) priority schools; and (3) focus schools. The ESEA flexibility waiver eliminates the requirements for ISBE to identify Local Education Agencies (LEAs) in need of improvement, identify the necessary corrective action to be taken by the LEAs, and report the LEAs' improvement status in its report card.

In May 2014, ISBE received a letter from USDE encouraging the State to continuously evaluate the effectiveness of the plans and other elements of its ESEA flexibility request as it proceeded with the implementation and to make necessary changes to address any challenges identified. The letter stated that ISBE would need to follow established procedures for amending its ESEA flexibility request and that ISBE could not implement any changes until they had been approved by USDE. Further, the letter specified that ISBE was required to submit its final lists of priority, focus, and reward schools to USDE by September 1, 2014 and that amendments resulting in the State not meeting the required timelines for implementation of ESEA flexibility would generally not be approved.

During our testwork, we noted ISBE did not report on focus or reward schools by September 1, 2014 as required due to pending USDE approval of an amendment to the methodologies for identifying reward, priority, and focus schools submitted by ISBE in September 2014. The amendment was approved by USDE in July 2015 and did not include a waiver of the reporting timeline. Accordingly, ISBE did not comply with the waiver reporting requirements or establish adequate controls to permit compliance with the reporting requirements of the ESEA Flexibility waiver.

According to the USDE's *ESEA Flexibility* (June 7, 2012) and question C-20 of *ESEA Flexibility FAQs*, an SEA and its LEAs must include the identification of schools under the SEA's new differentiated recognition, accountability, and support system, including reward schools, priority schools, and focus schools, in their annual report cards. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to report information required under the ESEA Flexibility Waiver within required timeframes.

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In discussing these conditions with ISBE officials, they stated ISBE submitted an amendment to the waiver on September, 1 2014 to change the Multiple Measure Index (MMI), which would have changed the schools on the focus and reward lists from the original waiver. The Agency was waiting for approval of their amendment prior to reporting the focus and reward schools.

Failure to identify and report on reward and focus schools results in noncompliance with laws, regulations, and grant agreements of the Title I program. (Finding Code 2015-047)

Recommendation:

We recommend ISBE implement the necessary procedures to comply with its ESEA Flexibility waiver.

ISBE Response:

ISBE agrees with the finding. ESEA legislation will end August 1, 2016 and will be replaced with the Every Student Succeeds Act (ESSA). ISBE is in the process of developing a state plan to ensure compliance with implementation of ESSA according to prescribed timelines.

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State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Title I Grants to Local Educational Agencies

CFDA # and Program Expenditures: 84.010 (\$613,109,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-048 *Inaccurate Special Report for Title I Program*

ISBE did not accurately prepare the State Per Pupil Expenditure Data report for the Title I Grants to Local Educational Agencies (Title I) program.

On an annual basis, ISBE submits its average state per pupil expenditure data to the National Center for Education Statistics. The data is used by USDE to make funding allocations under several federal programs including the Title I program. The data for this report is collected by ISBE from subrecipient audit reports and is entered into its mainframe data base which aggregates the information.

During our testwork of the State Per Pupil Expenditure Data report prepared and submitted by ISBE during the fiscal year under audit, we noted the revenue from local sources and revenue from state sources reported by ISBE did not agree to supporting documentation. Additionally, we noted the average daily attendance as defined by State Law amount did not agree to supporting documentation. Specifically, we noted the following differences:

Report Line Item	Reported Amount	Actual Amount	Difference
Tuition from Individuals (Section 1 Revenue from Local Sources - line e.)	\$46,900,943	\$24,239,923	\$22,661,020
Tuition from other LEAs (Local Educational Agencies) Within The State (Section 1 Revenue from Local Sources - line f.)	417,060,185	439,721,205	(22,661,020)
Revenue from State Sources (Section 1)	7,003,524,307	6,998,888,608	4,635,699
ADA (Average Daily Attendance) as defined by State Law (Section 7 Average Daily Attendance - line a.)	1,867,289	1,866,574	715

According to the grant agreement and 34 CFR 80.40-41, ISBE is required to submit an annual report to the U.S. Department of Education detailing the State's Per Pupil Expenditure data. This report is to be prepared using valid, reliable supporting data. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data is accurately reported on the State Per Pupil Expenditure Data report.

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In discussing these conditions with ISBE officials, they stated submittal of a revised Annual Financial Report by a Special Education Cooperative to ISBE, revisions to the nine month Average Daily Attendance file after the original report was submitted, and the inclusion of Tort Fund On Behalf Payments as State Revenue contributed to the cause of the finding.

Failure to accurately prepare special reports results in noncompliance and prevents the USDE from effectively monitoring the Title I program. (Finding Code 2015-048, 2014-043)

Recommendation:

We recommend ISBE review its process to prepare the State Per Pupil Expenditure Data report to ensure the report is complete and accurate prior to submission to the USDE.

ISBE Response:

ISBE agrees with this finding. An amended report has been filed, with the exception of the 9 month average daily attendance (ADA) revisions as amendments were no longer accepted at the time the ADA file was revised. Staff will review all amounts on the report with the state-wide Annual Financial Report data to confirm all amounts are in agreement between the two reports, review its process, and incorporate a quality review to ensure the report is complete and accurate prior to submission to the USDE.

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State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Improving Teacher Quality State Grants
School Improvement Grants Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 (\$654,346,000)
10.558 (\$146,991,000)
84.010 (\$613,109,000)
84.027/84.173 (\$508,186,000)
84.048 (\$36,924,000)
84.287 (\$36,084,000)
84.367 (\$95,734,000)
84.377/84.388ARRA (\$42,021,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-049 *Inaccurate Reporting of Federal Expenditures*

ISBE did not accurately report Federal expenditures under the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I Grants to Local Educational Agencies (Title I), Special Education Cluster (Special Education), Career and Technical Education – Basic Grants to States (CTE), Twenty-First Century Community Learning Centers (21st Century), Improving Teacher Quality State Grants (Title II), and School Improvement Grants Cluster (SIG) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) did not agree to ISBE’s financial records. Specifically, we noted the following differences for the year ended June 30, 2015:

Program	Federal Expenditures Reported in ISBE’s Records	Federal Expenditures Initially Reported to the IOC	Difference
CNC	\$602,762,000	\$650,524,000	\$ (47,762,000)
CACFP	146,882,000	146,891,000	(9,000)
Title I	614,973,000	613,109,000	1,864,000

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Program	Federal Expenditures Reported in ISBE's Records	Federal Expenditures Initially Reported to the IOC	Difference
Special Education	\$508,105,000	\$507,488,000	\$617,000
CTE	22,120,000	22,205,000	(85,000)
21 st Century	35,939,000	36,084,000	(145,000)
Title II	93,342,000	92,980,000	362,000
SIG	41,877,000	42,021,000	(144,000)

In addition, we noted the following differences relative to amounts passed through to subrecipients for the ISBE's major programs, as follows:

Program	Amounts passed to Subrecipients Reported in ISBE's Records	Amounts passed to Subrecipients Initially Reported to the IOC	Difference
CNC	\$600,279,000	\$650,101,000	\$ (49,822,000)
CACFP	144,289,000	145,297,000	(1,008,000)
Title I	608,727,000	609,690,000	(963,000)
Special Education	494,667,000	495,682,000	(1,015,000)
CTE	20,478,000	21,382,000	(904,000)
21 st Century	33,637,000	34,450,000	(813,000)
Title II	90,278,000	90,374,000	(96,000)
SIG	39,730,000	39,730,000	-

Upon further investigation, we noted the differences identified in the tables above primarily relate to prior period adjustments to receivables and deferred revenue which should not be reflected in current year cash basis expenditures and amounts passed through to component units of the State of Illinois reporting entity. Although most of the differences identified in the tables above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process as discussed in finding 2015-001. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

The difference between CNC program federal expenditures and amounts passed through to subrecipients initially reported to the IOC and the amounts in ISBE's records pertain to an omission of approximately \$49.8 million in USDA donated food (non-cash assistance) that was not originally included in information provided for our audit procedures.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal

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controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

In discussing this with ISBE officials, they stated that the issues noted in this finding are primarily attributable to the statewide financial reporting process using the same form, Form SCO-563, for determining modified accrual and cash basis expenditures to report in the Agency's financial statements and SEFA, respectively. The Agency's exclusion of non-cash commodities and reporting of component unit transactions combined with State Agency transactions for the Auditors' Federal Expenditure Summaries was due to timing as final expenditures are not available until late in the GAAP reporting process.

Failure to accurately report federal expenditures and amounts passed through to subrecipients in accordance with OMB Circular A-133 prohibits the completion of an audit, which may result in the suspension of federal funding. (Finding Code 2015-049, 2014-041)

Recommendation:

We recommend ISBE establish procedures to accurately report federal expenditures and amounts passed through to subrecipients used to prepare the SEFA to the IOC.

ISBE Response:

The Agency agrees with this finding. The State of Illinois GAAP reporting process does not have a process in place to evaluate non-cash transactions that are required to be included in expenditure data submitted to the IOC as part of the GAAP reporting process. ISBE will continue to follow Generally Accepted Accounting Principles as well as procedures outlined by the State Comptroller when compiling data for the preparation of the Agency's financial statements. In addition, we will continue to work closely with the auditors to provide all information required to be reported in the Auditors' Federal Expenditures Questionnaires, as the information becomes available. Finally, a reconciliation will continue to be provided to the Auditors detailing the non-cash transactions which should be adjusted from the Form SCO-563 to prepare a cash basis SEFA.

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State Agency: Illinois Community College Board (ICCB)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Career and Technical Education – Basic Grants to States
CFDA # and Program Expenditures: 84.048 (\$36,924,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-050 *Failure to Obtain Subrecipient DUNS Numbers*

ICCB did not obtain Dun and Bradstreet Universal Numbering System (DUNS) numbers as part of its subaward application process or prior to granting subaward to subrecipients of the Career Technical Education (CTE) program.

During our testwork of eight subrecipients of the CTE program (with expenditures of \$3,419,403), we noted the award documents and program applications for these subrecipients did not include the DUNS number of the recipient organization. Upon further review, we noted ICCB did not obtain the DUNS number for any subrecipients of the CTE program during the year ended June 30, 2015.

ICCB passed through approximately \$13,541,000 of federal funding to subrecipients of the CTE program during the year ended June 30, 2015.

According to 2 CFR 25 Appendix A states that entities authorized to make subawards may not make a subaward to an entity unless the entity has provided its unique entity identifier (DUNS number). In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure DUNS numbers are obtained from subrecipients.

In discussing these conditions with ICCB officials, they stated key staff were unaware of this requirement.

Failure to obtain subrecipient DUNS numbers may result in ineligible subrecipients receiving federal awards and noncompliance with federal requirements. (Finding Code 2015-050)

Recommendation:

We recommend ICCB establish procedures to obtain subrecipient DUNS numbers prior to granting subawards in accordance with federal requirements.

ICCB Response:

The Board concurs with this finding. Procedures have been put into place to ensure that DUNS numbers are obtained prior to issuing subawards under the Career and Technical Education program.

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For the Year Ended June 30, 2015

State Agency: Illinois Community College Board (ICCB)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Career and Technical Education – Basic Grants to States
CFDA # and Program Expenditures: 84.048 (\$36,924,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-051 *Inaccurate Reporting of Federal Expenditures*

ICCB did not accurately report expenditures under the Career and Technical Education – Basic Grants to States (CTE) program.

ICCB inaccurately reported subrecipient expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following difference between amounts provided for audit and the SEFA expenditures initially reported to the IOC for the year ended June 30, 2015:

SEFA Caption	Amount Reported on the Final Expenditure Questionnaire	Amounts Initially Reported to the IOC	Difference
Amounts passed through to subrecipients	\$13,541,000	\$-	\$13,541,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA.

In discussing this with ICCB officials, they stated the inaccurate reporting of federal expenditures was due to staff error.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-051)

Recommendation:

We recommend ICCB establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

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ICCB Response:

The Board concurs with this finding. Procedures have been put in place to ensure that federal expenditures are reported accurately.

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For the Year Ended June 30, 2015

State Agency: Illinois Student Assistance Commission (ISAC)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Federal Family Education Loan Program – Guaranty Agencies

CFDA # and Program Expenditures: 84.032G (\$5,222,729,000)

Award Numbers: None

Questioned Costs: None

Finding 2015-052 *Inaccurate Reporting of Federal Expenditures*

ISAC did not accurately report Federal expenditures and loan balances under the Federal Family Education Loans – Guaranty Agencies (FFEL) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to ISAC’s financial records. Specifically, we noted the following difference for the year ended June 30, 2015:

Program	Federal Expenditures Reported in ISAC’s Records	Federal Expenditures Initially Reported to the IOC	Difference
FFEL Program (Loan Balances)	\$5,059,643,000	\$–	\$5,059,643,000
FFEL Program (Fees and Claims)	164,195,000	163,086,000	1,109,000

As discussed in finding 2015-001, the State’s process to prepare the SEFA does not include procedures to identify and report outstanding loans on the SEFA as required by the Uniform Guidance. During our audit, we proposed and the State recorded an adjustment to include the beginning loan balances on the SEFA for the FFEL program.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. According to 2 CFR 200.510(b), the auditee is required to prepare a schedule of expenditures of Federal awards which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 which requires the inclusion of loan and loan guarantees in the value of Federal awards expended. According to 2 CFR 200.502(b), loan and loan guarantees are calculated as: (1) the value of new loans made or received during the audit period; (2) beginning of the audit period balances of loans from previous years for with the Federal Government imposes continuing compliance requirements; and (3) any interest subsidy, cash, or administrative cost allowance received. According to 2 CFR 200.510(b)(5), in addition to including the total Federal awards expended for loan or loan guarantee programs in the SEFA, the auditee must disclose the balance of loans outstanding at the end of the period in the notes to the SEFA.

The A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws,

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regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with ISAC officials, they stated in prior years the loan balances were not requested as part of the GAAP package but were requested separately. The Fees and Claims amount methodology used this year, as in previous years, was consistently applied and reconciled between the SEFA and the IOC GAAP package.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-052)

Recommendation:

We recommend ISAC establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

ISAC Response:

ISAC agrees with the recommendation and will work with the IOC and the auditors to ensure amounts are accurately reported according to the prescribed methodology.

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State Agency: Illinois Student Assistance Commission (ISAC)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Federal Family Education Loan Program – Guaranty Agencies
CFDA # and Program Expenditures: 84.032G (\$5,222,729,000)
Award Numbers: None
Questioned Costs: Cannot be determined

Finding 2015-053 *Inadequate Process for Assignment of Defaulted Loans*

ISAC does not have an adequate process to ensure all defaulted loans that meet the requirements specified in 34 CFR 682.409 are assigned to the USDE.

ISAC is required to assign all defaulted loans that meet certain criteria as described below to the USDE by December 1st each year. During our audit of the Federal Family Education Loan Program, we noted there were approximately 9,686 defaulted loans that met these criteria as of July 24, 2014 which had not been assigned by the December 1st deadline.

According to 34 CFR 682.409(a)(1), unless the Secretary notifies an agency, in writing, that other loans must be assigned to the Secretary, an agency must assign any loan that meets all of the following criteria as of April 15 of each year:

1. The unpaid principal balance is at least \$100.
2. For each of the two fiscal years following the fiscal year in which these regulations are effective, the loan, and any other loans held by the agency for that borrower, have been held by the agency for at least four years; for any subsequent fiscal year such loan must have been held by the agency for at least five years.
3. A payment has not been received on the loan in the last year.
4. A judgment has not been entered on the loan against the borrower.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure defaulted loans are assigned to USDE in accordance with program regulations.

In discussing these conditions with ISAC officials, they stated ISAC did not meet the deadline because a system error was corrected that was causing eligible loans to reject for assignment. When this error was corrected, it resulted in over 15,000 loans becoming eligible for assignment. The volume of eligible assignments was too large to process in time.

Failure to assign loans to the USDE within required timeframes results in noncompliance with federal regulations. (Finding Code 2015-053)

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Recommendation:

We recommend ISAC assign all defaulted loans to the USDE that meet the criteria contained in 34 CFR 682.409 by the required December 1st deadline.

ISAC Response:

Prior to April 15th of each year, the parameter date will be changed for the mandatory assignment file. A predictor report will be scheduled in order to determine the number of eligible accounts. Based on the number of accounts eligible for assignment, a schedule will be created that will provide staff with the dates that files will be created and sent to USDE. The schedule will also inform staff of the required timeframe in which they have to retrieve the collaterals as well as the date that the collaterals are required to be mailed to USDE.

If available, additional staff will be utilized to assist with the assignments to ensure that the December 1st deadline is met.

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State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loans Program

CFDA # and Program Expenditures: 84.032G (\$5,222,729,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 2015-054 *Inadequate Process to Ensure Required Due Diligence Procedures are Performed*

The Illinois Student Assistance Commission (ISAC) does not have an adequate process to ensure due diligence procedures required by program regulations are performed for all loans.

As the State Guaranty Agency for the Federal Family Education Loan program, ISAC is required to perform specific due diligence procedures for a loan on which it pays a default claim to a lender. Specifically, ISAC is required to send a written notice to the borrower within 45 days of paying a lender's default claim stating the actions that may be taken by ISAC to collect the debt. During our 2014 audit, we identified certain conditions in which required borrower notifications were not generated by ISAC's information systems.

During our current year audit, we noted ISAC had not implemented additional procedures prior to March 31, 2015, to identify and assess defaulted loans for which required written notices had not been generated. Accordingly, ISAC did not have an adequate process in place to ensure required due diligence procedures were performed prior to March 31, 2015.

Defaulted loans outstanding totaled \$550,451,866 as of June 30, 2015. Lender claims for loans paid during the year ended June 30, 2015 totaled \$136,550,409.

According to 34 CFR 682.410(b)(6), a guaranty agency must engage in reasonable and documented collection activities on a loan on which it pays a default claim filed by a lender. For a non-paying borrower, the agency must perform at least one activity every 180 days to collect the debt, locate the borrower (if necessary), or determine if the borrower has the means to repay the debt. Additionally, within 45 days after paying a lender's default claim, the agency must send a notice to the borrower that: (1) advises the borrower of the default status; (2) provides information about the original loan; (3) explains interest provisions, the effect of the default on the borrower's credit report, opportunities and remedies available to the borrower; (4) describes the borrower's rights; and (5) identifies the enforcement actions that the agency may take.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

In discussing these conditions with ISAC officials, they stated the loan in question first came in as a bankruptcy claim, and, after the loan was later repurchased, the system did not reinstate the automated due diligence letters.

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Failure to properly send notification letters within the required time frame may result in ISAC not performing the required collection procedures on defaulted loans in accordance with applicable federal laws and regulations. (Finding Code 2015-054, 2014-046)

Recommendation:

We recommend ISAC implement procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

ISAC Response:

ISAC agrees with the recommendation.

Regarding this borrower, it should be noted that other letters were sent manually by collectors to the borrower so there was not a lapse in contact. This borrower consolidated their loan and it was removed from default in August 2014.

ISAC continues to review accounts to ensure automated due diligence letters are sent to borrowers in a timely manner. Each week the Odyssey administrative staff creates the Recently Defaulted Borrowers Missing Administrative Review Hearing (AHR) Letter - ODD-010 report. This report is provided to the Manager of Collections and Federal Services who assigns this report to a designated staff member who takes the necessary steps to generate the ODD-010 letter and mail to borrowers. This report is able to capture borrowers who have re-defaulted so a new letter can be mailed

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State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loan Program

CFDA # and Program Expenditures: 84.032G (\$5,222,729,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 2015-055 *Inadequate Process to Verify Unreported Loans*

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loan program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders primarily through an electronic lender manifest (update file) submitted to ISAC on a monthly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the “presumed paid” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to presumed paid, and reported as such to the NSLDS.

The second process is called the “unreported loans” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is the semi-annual compliance reviews of the lenders performed by ISAC personnel, in which the status of the unreported loans list is noted.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans (with loan balances totaling \$1,261,229) to confirm the accuracy of the loan information with the lender and noted the following exceptions:

- Confirmations for three loans (with loan balances totaling \$19,500) were returned as undeliverable. Upon further investigation, ISAC was unable to facilitate locating the respondent.
- Confirmations for six loans (with loan balances totaling \$32,882) were returned identifying differences related to the status of the loan (e.g. loan holder, loan amount, etc).

The outstanding principal balance on loans guaranteed by ISAC totaled \$4,009,437,562 as of June 30, 2015.

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In accordance with 34 CFR Section 682.404(a), (b), and (c), a guaranty agency shall accurately complete and submit to the Secretary a Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure loan information is properly verified and reported to the NSLDS.

In discussing these conditions with ISAC officials, they stated ISAC recognizes the importance of obtaining accurate and timely data from its lenders. As there is not a federal requirement for lenders to respond to the unreported loans report, ISAC relies on standard business processes with the approval of the USDE to verify unreported loans.

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS. (Finding Code 2015-055, 2014-047, 2013-040, 12-53, 11-60, 10-62, 09-58, 08-64)

Recommendation:

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

ISAC Response:

The following business processes will remain in place to accept changes and updates to loan records:

- ISAC will continue to process monthly lender manifest submissions.
- ISAC will continue its “presumed paid” process which is a method to change the loan status to presumed paid for loans that have been in repayment status for twelve years and that have not been updated through any lender reporting in the past four years.
- ISAC will continue to create the semi-annual unreported loans report as the means for lenders to report changes and updates to loan records.
- ISAC will continue to initiate an unreported loans follow up process with e-message reminders to lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission. The reminders will be sent at regular intervals to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.

ISAC will continue to participate in the Common Review Initiative (CRI) to conduct the compliance audits of participating lenders. The CRI review process includes verification and determination that the lender/servicer is diligently working unreported loan reports to reduce overall unreported loan rates.

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State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-056 *Failure to Implement UI Program Integrity and Overpayment Reduction Requirements*

IDES did not implement Federal requirements to improve program integrity and reduce overpayments.

The State is required to establish written procedures for: (1) identifying overpayments, (2) classifying overpayments into categories based on the reason the overpayment occurred (i.e. employer error, non-response from employers, beneficiary fraud, etc.), and (3) establishing appropriate methods for following up on each category of overpayment. In establishing these procedures, the State is required to enter into three agreements prior to commencing recoveries. The first agreement permits the State to offset State UI from Federal UI overpayments (Cross Program Offset and Recovery Agreement). The second agreement permits the State to recover overpayments from benefits being administered by another State (Interstate Reciprocal Overpayment Recovery Agreement). The third agreement permits the State to utilize the Treasury Offset Program to recover overpayments that remain uncollected one year after the debt was determined to be due. Additionally, the State is (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) prohibited from providing relief from charges to employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

As of the date of our testwork (December 20, 2015), we noted that while IDES has developed the written procedures relative to overpayments and entered into the required agreements described in the previous paragraph, the written procedures did not address the requirement to impose a monetary penalty on fraud overpayments. Additionally, we noted the policies do not address the prohibition of providing employers relief resulting from an employer failing to provide timely or adequate information.

42 U.S.C. 503(a)(11)(A) requires States to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayment. In addition, 26 U.S.C. 3303(f)(1)(A) prohibits States from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

26 U.S.C. 3304(a)(4)(D) and 42 U.S.C. 503(g)(1) require States to recover overpayments through offset against UC payments. In addition 42 U.S.C. 503(m) requires States to utilize the Treasury Offset Program for overpayments that remain uncollected one year after the debt was determined to be due.

The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and

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program compliance requirements. Effective internal controls should include procedures in place to ensure program integrity and overpayment reduction requirements are implemented.

In discussing these conditions with IDES officials, they stated the procurement process for the vendor took longer than initially anticipated. The Department also had difficulty determining the best method for implementing the guidance outlined in Unemployment Insurance Program Letter (UIPL) 02-12.

Failure to implement Federal requirements could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2015-056)

Recommendation:

We recommend IDES develop and implement procedures to improve UI program integrity and reduce overpayments that incorporate the required monetary penalty on fraud overpayments and prohibit providing relief to employers who fail to provide timely and adequate responses to information requests.

IDES Response:

IDES agrees with the finding and is currently planning to integrate our current overpayment system into our benefit payment system. The 15% penalty on fraud overpayments is part of the scope of work and will be implemented as part of our systems integration. The Department will also begin planning the implementation of the prohibition on non-charging due to employer fault per UIP 02-12.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-057 *Failure to Adequately Document Resolution of Employer Protest*

IDES failed to adequately document information related to an employer's protest of Unemployment Insurance (UI) program benefits.

The UI program administered by IDES provides benefits to eligible individuals that are unemployed and able and available to work. The structure of the Federal-State UI Program partnership is based upon Federal law; however it is implemented through State law, specifically the Illinois Unemployment Insurance Act (the Act)(820 ILCS 405). IDES has also developed a comprehensive policies and procedures manual available to all employees to allow for the consistent and proper administration of the UI program. IDES adjudicators use this manual and the Illinois Benefits Information System (IBIS) workflow to make eligibility determinations and document activities related to employer protests of claims.

During our testwork of UI program beneficiary payments, we selected a sample of 65 beneficiary payments to review for compliance with eligibility requirements and to determine that the appropriate benefits were paid. For each benefit payment, we inspected supporting documentation to verify the claimants' eligibility under applicable laws and regulations. For one of the 65 benefit payments selected (in the amount of \$1,080), we noted the IDES adjudicator determined the claimant eligible for benefits despite evidence in the file of a timely employer protest based on employee misconduct resulting from the claimant's repeated violation of the employer's attendance policy. While the case file identified a follow up request for information was made of the employer, documentation of the reason for this request and verification of information provided by the claimant were not included in the file.

Beneficiary payments selected in our sample totaled \$77,769. Payments made on behalf of beneficiaries of the UI program totaled \$1,809,832,000 during the year ended June 30, 2015.

The Unemployment Insurance Act (820 ILCS 405/602(a)) states that "an individual shall be ineligible for benefits for the week in which he has been discharged for misconduct connected with his work and, thereafter... For purposes of this subsection, the term "misconduct" means the deliberate and willful violation of a reasonable rule or policy of the employing unit, governing the individual's behavior in performance of his work, provided such violation has harmed the employing unit or other employees or has been repeated by the individual despite a warning or other explicit instruction from the employing unit.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws,

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regulations, and program compliance requirements. Effective internal controls should include ensuring case file documentation is complete.

In discussing these conditions with IDES officials, they stated that the reduction and the overall redistribution of staff, has created a lack of trained staff.

Failure to appropriately document information related to employer protests may result in Federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2015-057)

Recommendation:

We recommend IDES review its current process for documenting resolutions of employer protests and consider changes necessary to ensure case file documentation is complete.

IDES Response:

IDES accepts this finding. Further, IDES asserts the reason for the finding is primarily related to training issues and has taken steps to address the need. With respect to 820 ILCS 405/602(a), IDES developed content specific to this section of law and required all claims adjudicators (and their supervisors) who adjudicate this section to attend the training. In addition, the training content is updated, available online, and staff have been notified of such. Further, IDES has employed a review method by which representatives, their supervisors, and management review adjudication cases and eligibility determinations. Beyond the required quarterly Federal Benefits Timeliness Quality (BTQ) review, IDES has a quarterly internal BTQ process and will expand the number of cases required to be reviewed and will use the results for staff performance purposes. Lastly, the Division of Service Delivery and the Office of Legal Counsel now hold weekly reviews of adjudications cases and Service Delivery passes cases findings to regional management which should help to increase claim adjudicator performance.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-058 *Failure to Issue Eligibility Determinations within Prescribed Timeframes*

IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim requires further action prior to benefits determination. The claim is then assigned to a claims adjudicator for resolution through system workflow. The system monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our review of the fiscal year 2016 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2015, resolving only 65.8% of these determinations within 21 days of the detection date.

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure eligibility determinations are performed in accordance with required timeframes.

In discussing these conditions with IDES officials, they stated resource constraints and imbalanced workload have resulted in a backlog of cases that have untimely eligibility determinations.

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely and/or improper payment of unemployment benefits. (Finding Code 2015-058, 2014-049, 2013-048)

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Recommendation:

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

IDES Response:

IDES agrees with this finding and also acknowledges the increase in performance when comparing the finding under this audit to the finding of 2014 for the same quarter. IDES believes a statewide re-balancing of workload allocation will have a positive impact on determination time-lapse and has, therefore, taken initial steps towards such re-balancing: The Central Region has been eliminated and the offices and respective workloads have been reassigned to the Southern and Northwest Regions. Also, IDES has found that auto-adjudicated cases help to manage workload while also enabling such auto-determinations to be completed timely. Further, IDES recognizes that training needs has an impact on determination time-lapse. Training needs have been identified and, therefore, IDES continues to provide various training to claims adjudicators and to certain other units such as the Document Processing Unit, which controls the intake and processing of the majority of adjudication-related documents.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-059 *Improper Calculation of UI Tax Rates*

IDES improperly calculated the North American Industry Classification System (NAICS) rate used to determine an employer's experience contribution rate for the Unemployment Insurance (UI) program.

On an annual basis, IDES calculates an employer experience rating to determine an employer's UI tax rate. Experience rating allocates the cost of unemployment insurance among employers based on their unemployment experience. For the first three consecutive calendar years in which liability for the payment of contributions is incurred, an employer is assigned a standard new employer rate or the average rate based on the employer's NAICS, whichever is higher, for years 2003 and after. The standard new employer rate is determined as follows: 2.7 percent or 2.7 percent times the State Experience Factor, whichever is higher, plus the Fund Building Rate.

During our testwork, IDES disclosed they had incorrectly calculated the NAICS rate used in the employer experience rating calculation. As a result, the average contribution rates for industries were incorrectly calculated for calendar years 2013, 2014 and 2015. All employers, instead of only experience-rated employers, were included in the calculation and the fund building rate was factored into the calculation but should not have been. As a result, the rates initially assigned to non-experience-rated employers (those who have not incurred liability in each of the last three calendar years) in eight industries were higher than they should have been. Employers were overcharged \$7,099,627 in State fiscal year 2015 and \$9,955,763 for State fiscal years 2013 and 2014. IDES plans to apply any credit balances for affected employers against future required contributions.

According to the Unemployment Insurance Act (820 ILCS 405/1500), "each employer shall pay contributions at a percentage rate equal to the greatest of 2.7 percent, or 2.7 percent multiplied by the current adjusted State experience factor, as determined for each calendar year by the Director in accordance with the provisions of Sections 1504 and 1505, or the average contribution rate for his major classification in the Standard Industrial Code, or another classification sanctioned by the United States Department of Labor and prescribed by the Director by rule, with respect to wages for insured work paid during such year."

Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls to ensure employer experience ratings are calculated in accordance with program requirements.

In discussing these conditions with IDES officials, they stated the cause of the deficiency occurred because the internally generated report that the Department relies on to calculate the rates by the North American Industry Classification System (NAICS) codes had been modified without documentation of the modification and was

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not done as part of a production job. This allowed for the programmer to make changes to the report without proper approval.

Failure to appropriately calculate employer experience ratings could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2015-059)

Recommendation:

We recommend IDES review its current process for calculating employer experience ratings and consider changes necessary to ensure these ratings are calculated in accordance with program requirements.

IDES Response:

IDES accepts the recommendation and has corrected all NAICS-rated employers in Benefit Funding System (BFS) for calendar years 2013, 2014 and 2015. It has reallocated credits to any outstanding debt and will apply credits towards future contributions. The program that calculates NAICS rates is now part of the Department's regular schedule of production jobs and cannot be modified without documentation of the change. The report will now require more than one individual to review to ensure separate levels of data verification. The Department is systematically reviewing all rate components and testing the detail.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-060 *Inadequate Process for Preparing UI Financial Reports*

IDES does not have an adequate process in place to ensure all financial reports prepared for the Unemployment Insurance (UI) program are accurate.

On a quarterly basis, IDES is required to report information on overpayments of intrastate and interstate UI claims under the regular State UI program and under federal UI programs, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Members (UCX) on the *ETA 227 – Overpayment Detection and Recovery Activity* (ETA 227) report. The information required to be reported includes the number and dollar amounts of claims with overpayments during the quarter identifying what caused the overpayment and how it was detected. An aging and reconciliation of outstanding overpayments is also required to be reported.

During our testwork of two quarterly ETA 227 reports, we noted the amounts reported by IDES on nearly all required line items did not agree to the supporting documentation provided by IDES during our audit. As of the date of our testwork (December 18, 2015), IDES had not revised the report or reconciled any of the differences identified.

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are accurate. Specifically, we noted IDES does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to ET Handbook 401, 4th Edition, IDES is required to submit quarterly overpayment detection and recovery activity reports (known as ETA 227 reports) by the first day of the second month after the quarter of reference. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

In discussing these conditions with IDES officials, they stated IDES is in the process of integrating the functionality of several legacy systems into IBIS throughout Federal fiscal years 2016 and 2017.

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program. (Finding Code 2015-060, 2014-051)

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Recommendation:

We recommend IDES review its procedures for preparing financial reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

IDES Response:

IDES agrees with the finding. Since the implementation of IDES' modern UI system, IBIS, August of 2010, the ETA 227 is manually compiled with information from three different IT systems. Because of interface issues between IBIS and the two legacy fraud-detection and overpayment recovery systems, IDES has difficulty performing certain cross-matches. Overpayment determinations are not timely and delays result in additional overpayments to accrue. IDES began integrating the functionality from these two legacy systems into IBIS in November of 2015 and we expect full implementation in the first quarter of 2018. This project is estimated to cost the agency close to \$9 million. By incorporating these legacy systems into IBIS, IDES will investigate, calculate and collect more accurate information regarding overpayments and Employers' contributions in a more efficient manner. ETA227 will be re-engineered during this process.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Employment Services Cluster
Unemployment Insurance

CFDA # and Program Expenditures: 17.207/17.801/17.804 (\$30,739,000)
17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2015-061 *Inadequate Supporting Documentation for Payroll Costs*

Adequate supporting documentation does not exist to substantiate payroll costs claimed for federal reimbursement under the Employment Services Cluster (ES Cluster) and Unemployment Insurance (UI) programs.

In administering the ES Cluster and UI programs, IDES incurs significant personal service and fringe benefit expenditures which are charged to its Federal and State programs through the use of cost centers established for each of IDES' activities and programs. On a bi-weekly basis, IDES employees complete and sign manual effort reports (time sheets) to report their time according to the cost centers. These effort reports are then reviewed and signed by the employee's immediate supervisor and are manually entered in a time reporting system which is used to accumulate the costs related to each cost center. Cost center data from the time reporting system is used to identify personal service expenditures attributable to IDES' federal programs and to calculate related fringe benefit charges and indirect costs.

During our testing of 50 (25 for each program) direct payroll expenditures charged to the ES Cluster and UI programs (totaling \$100,046 and \$96,988, respectively) during the year ended June 30, 2015, we noted the following:

- Effort reports for one ES Cluster employee and three UI employees (supporting payroll expenditures sampled of \$2,459 and \$18,850, respectively) were not consistent with the hours reported in the timekeeping system and used to allocate payroll expenditures to these programs.
- Effort reports for two ES employees (supporting payroll expenditures sampled of \$5,498) could not be located for testing.
- Effort reports for one ES employee and one UI employee (supporting payroll expenditures sampled of \$5,011 and \$6,849, respectively) did not contain evidence of supervisory review.

As discussed above, IDES uses personal service expenditures to calculate fringe benefit and indirect costs to be charged to the ES Cluster and UI programs. Accordingly, the errors and control deficiencies identified above may also impact the fringe benefit and indirect costs charged to the ES Cluster and UI programs.

Personal service expenditures, fringe benefits, and indirect costs charged to the ES Cluster and UI programs for the year ended June 30, 2015 were as follows:

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For the Year Ended June 30, 2015

Expenditure Type	ES Cluster	UI
Personal services	\$12,345,000	\$66,407,000
Fringe benefits	\$9,157,000	\$49,003,000
Indirect costs	\$6,420,000	\$34,260,000

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and 2 CFR 200.403 establish principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented.

OMB Circular A-87, Attachment B, Item 8(h)(3) requires that if an employee works solely on a one federal program and 100% of their salary or wages are charged to the program, the State must obtain a certification from the employee or their direct supervisor that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months. OMB Circular A-87, Attachment B, Item 8(h)(4) and (5) requires that if an employee works on multiple activities or cost objectives, the distribution of their salaries or wages must be supported by personnel activity reports. The personnel activity report must reflect an after the fact determination, account for total activity of the employee, be prepared at least monthly, and be signed by the employee.

According to 2 CFR 200.430(i), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be, among other things, supported by a system of internal control, comply with the established accounting policies and practices of the non-Federal entity, and support the distribution of the employee's salary or wages amount specific activities or cost objectives if the employee works on more than one federal award, activity, or cost objective.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. IDES Procedure 2005.403 requires (1) IDES employees to prepare and sign their FI-46's and to turn them into their supervisors for review; (2) IDES managers are to ensure the completeness and accuracy of employee FI-46s and sign-off prior to entry into the FI-46 Online Entry System (3) IDES Expenditure Control/Payroll is to retain original copies of FI-46s for a period of three years before they are transferred to external storage for an additional two years. Effective internal controls should include procedures to ensure required documentation is obtained to support payroll charges and to maintain documentation evidencing management approval of payroll information.

In discussing these conditions with IDES officials, they stated because of staff reductions there was no monitoring by the Central Office (C.O.) payroll unit of the receipt of these reports from the cost centers.

Inadequate documentation of payroll costs may result in the federal funds being expended for unallowable purposes. (Finding Code 2015-061)

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Recommendation:

We recommend IDES review its current procedures and consider any changes necessary to properly document payroll costs in accordance with the applicable program guidance.

IDES Response:

IDES accepts this finding. The Policy and Procedure (P&P) 4019 holds cost center managers responsible for payroll accuracy and file retention. Cost center managers, or their designee(s), are ultimately responsible to review, correct, and sign their employees' Forms FI-46 and the Verification/Certification reports. Within two work days of receipt of the Verification/Certification report, they are to send the FI-46s attached to the signed Verification/Certification report to the payroll unit in the Central Office and retain file copies. The Verification/Certification report shows what has been entered in the payroll system for comparison with the manually prepared FI-46s. Any discrepancies are to be reported to the payroll unit and corrected in the next payroll period. There is no monitoring by the C.O. payroll unit of the receipt of these reports from the cost centers. IDES will develop a method to monitor the timely receipt of these reports with follow-up reminders. This process will be automated to the extent possible to assist the C.O. payroll unit with limited staff time available. We will update P&P 4019 to document this process.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-062 *Inadequate Cash Management Procedures*

IDES does not have formal procedures to ensure cash draws are performed in accordance with the Treasury – State Agreement.

Annually, the State of Illinois negotiates the Treasury–State Agreement (TSA) with the U.S. Department of the Treasury (the Treasury), which details the funding techniques to be used for the drawdown of Federal funds. The TSA specifies that IDES draw funds for the Federal Benefit Account and Administrative Costs using a modified payment schedule: Semi-monthly with reconciliation. This method requires IDES to request funds semi-monthly on the first business day following the end of the payroll period. The amount of the request shall be a prorated share of the lesser of (1) the annual grant divided by 24, or (2) the total amount of the Federal funds expected to be paid out for program purposes during the year divided by 24, reconciling after each month and adjusting the request for funds to the actual payments during the preceding month. This funding technique is interest neutral.

IDES recorded 35 administrative draw requests (totaling \$155,263,000), of which we selected 5 draws (totaling \$42,045,000) to test. During our testwork, we noted draw requests were not calculated in accordance with the TSA requirements and did not occur on the first business day following the end of the payroll period:

- Two draw requests (totaling \$23,352,000) included individual grant awards for which more than 1/24th of the annual grant award was requested. As of the date of our testing (December 18, 2015), IDES had not provided a reconciliation of the amount drawn to actual expenditures. Additionally, we noted these two draws occurred 1 day prior to the first business day following the end of the payroll period;
- Two draw requests (totaling \$11,747,000) occurred after the first business day following the end of the payroll period. These draws were performed 1 and 5 days subsequent to the first business day following the end of the payroll period.

According to 31 CFR Section 205.11(b), a State must limit the amount of funds transferred to the minimum required to meet the State’s actual and immediate cash needs. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance

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requirements. Effective internal controls should include procedures in place to ensure that cash draws are performed in accordance with U.S. Treasury Regulations.

In discussing these conditions with IDES officials, they stated the staff in the cash management unit is relatively new to the process.

Failure to draw funds in accordance with U.S. Treasury Regulations could result in an interest liability to the Federal government and noncompliance with Federal regulations. (Finding Code 2015-062)

Recommendation:

We recommend IDES implement procedures to ensure cash draws are performed in accordance with U.S. Treasury Regulations.

IDES Response:

IDES accepts this finding. Although, there has been adequate training and materials provided, documentation regulating the semi-monthly draws for administrative costs has not been formalized in an IDES policy and procedure. IDES will develop a documented procedure of the semi-monthly draws for administrative costs.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-063 *Inadequate Documentation of Controls over Information Systems*

IDES does not have adequate documentation of the performance of access, program change, and computer operation controls over the information systems that support the Unemployment Insurance (UI) Program.

The information technology systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Wage Information System (WIS)
- The Benefit Funding System (BFS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Benefits Audit and Reporting System (BARTS)
- The Telephone Certification System (TCS)
- The Administrative Accounting System (AAS)

The IBIS is the centrally maintained information system designed to perform and document claimant eligibility determinations, to process claims for unemployment insurance benefits, and to assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. It interfaces with the WIS, which is the system that includes all of the employer wage data and remittance information for the payroll taxes. The BFS includes the employer setup information and the rate calculation process and the BCS is the system that charges the employment tax rates to the employer accounts. The ORS is designed to detect and report over payments and the BARTS helps direct, determine and collect UI fraudulent claims. The TCS is used by claimants to certify their continuing eligibility for benefits. The AAS is the accounting software used to process financial accounting records and reports.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel data base. When this job identifies employees who have terminated, the user ID for the individual is removed. Any modification of access must also be approved by the cost center manager through the use of the TSS-006 Form. It is the cost center manager's responsibility to determine the proper on-line access for each employee.

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During our testwork over the access, program change and development, and computer operations controls of the mainframe system, we noted the following:

- Two new users granted system access, out of 25 selected for testing, had system access rights that were not consistent with the standard access request form (TSS-001) approved by their supervisor. Specifically, we noted the access requested on the form for one user was not appropriate based upon the individual's job responsibilities and was corrected during access provisioning; however, the form was not corrected. The second user's access request form included the correct access level; however, during provisioning, the wrong access level was entered and it was not corrected until identified in our audit procedures.
- 89 users' access was terminated more than 15 days after the Payroll termination date. Delays in terminating access ranged from 1 to 73 days.
- One individual has the ability to modify production code and data, as well as the ability to migrate changes into production. As a result, this individual may introduce unintentional changes into production that may not be detected.
- User access review procedures were not performed for one of eight cost centers selected for testing.

In addition, we also noted IDES cannot produce a system generated list of all program changes processed within IBIS, accordingly, IDES cannot adequately monitor program changes.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDES officials, they stated these items were the result of human error and they would work with Information Services Bureau (ISB) Managers and technicians to ensure all policies and procedures surrounding system access rights are understood.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2015-063, 2014-052, 2013-049, 12-59, 11-66)

Recommendation:

We recommend IDES implement procedures to ensure policies and procedures are adequately documented and followed. In addition, we recommend IDES segregate the duties for developing and migrating program changes and perform user access reviews for IBIS and the data center.

IDES Response:

Bullet 1: IDES will work with ISB Managers and Technical Services and Security team members to ensure all policies and procedures surrounding system access rights are accurately followed.

Bullet 2: IDES will work with ISB Managers and Technical Services and Security team members to ensure all policies and procedures surrounding system access rights are accurately followed. Additionally, ISB will

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review the automated job that terminates access within 15 days of a former employee's Payroll termination date to ensure it is properly terminating access rights.

Bullet 3: We agree with this finding. One individual does have the ability to modify production code and data, as well as the ability to migrate changes into production. Without access to the group datasets, they would not be able to promote various components to production, nor would they be able to create new development environments which the developers use to segregate their concurrent changes. However, IDES policy dictates that forms must be completed by IDES developers and signed off on by senior management for any modifications to be made to the production code. These forms are then submitted to IDES staff who specifically oversees our Library Version Control (LVC) unit. This documentation is filed in our document library for tracking and auditing purposes. Once LVC staff members receive the appropriate paperwork and authorizations, they migrate changes to our production environment. As an additional compensating control, IDES agrees to produce a system-generated list of changes to review and ensure that only approved code was promoted. This report will be reviewed by management on a monthly basis to ensure no unintentional changes were introduced into production that may not have been detected.

Bullet 4: IDES will work with ISB Managers and Technical Services and Security team members to ensure all policies and procedures surrounding system access rights are accurately followed.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-064 *Inaccurate Reporting of Federal Expenditures*

IDES did not accurately report Federal expenditures under the Unemployment Insurance program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDES' financial records. Specifically, we noted the following difference for the year ended June 30, 2015:

Program	Federal Expenditures Reported in IDES' Records	Federal Expenditures Reported on the Final SEFA	Difference
Unemployment Insurance	\$1,969,505,000	\$1,968,267,000	\$1,238,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. The A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with IDES officials, they stated the variance was as a result of previous directions received by IDES from the IOC on the reporting of Federal Cash Expenditures as required by the SEFA and the requirement by the IOC to match those expenditures to GAAP Account 640 - Benefit Payment and Refund, a modified GAAP Account. The Federal Expenditures on the SCO 563 reflect a one-day timing of expenditures.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-064, 2014-050, 2013-044)

Recommendation:

We recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

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For the Year Ended June 30, 2015

IDES Response:

IDES agrees with the finding and will continue to work with the Comptroller to arrive at a resolution. Upon an agreement and resolution, IDES will establish new procedures to accurately report the expenditure meeting the requirement and needs of both the IOC and the SEFA.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$1,968,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-065 *Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports*

The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports and the reports did not always indicate that a supervisory review had been performed.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper payment of Unemployment Insurance (UI) benefits, which are distributed to and monitored by personnel at local IDES offices. In accordance with federal program emphasis, several of the common reports reviewed locally are designed to report claims with unresolved issues that are preventing payment as a tool to ensure payments to eligible individuals are made timely. These reports include the following:

- *Certification Batch Reconciliation Report (CCP002R)* – This report identifies the batches of paper eligibility certifications entered each day as completed or pending. Batches identified as pending are reviewed, processed, certified, and filed by the local office each day.
- *Appeals Requiring Local Action Report (APL011R)* – This report identifies all appealed claims with a central office action that is in conflict with the initial local office action. These claims are reviewed by the local office to ensure the resulting payment actions are appropriate.
- *TRA modified WBA/DC Report (CLI014R)* – This report identifies any changes to a TRA claimant's information and provides the local office with a detailed listing of all manual changes made to the weekly benefit amount (WBA) or dependent information. The case records are reviewed centrally at IDES for claimants identified on this report to ensure appropriate documentation exists to support the changes.
- *Determination End Date Report (CLI011R)* – This report identifies all new claims that were stopped because of an issue that should have been resolved at the time the claim was filed. These claims are reviewed by the local office prior to the first certification to prevent late payments.

We selected a sample of reports to inspect for each of the key reports identified above. The sample included all applicable local and regional office locations. We reviewed a total of 83 reports and noted that resolution of exceptions and supervisory review was not documented and performed on a consistent basis. Specifically, we noted the following:

- Twenty-one exception and monitoring reports did not contain evidence of being worked by the local office staff in a timely manner or evidence of a supervisory review.

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For the Year Ended June 30, 2015

- Ten exception and monitoring reports appeared to have been worked, but did not contain the appropriate supervisory sign-off.
- Three exception and monitoring reports requested could not be provided and so inadequate audit evidence existed to allow us to draw a conclusion as to whether the report was worked timely and properly reviewed.

Additionally, during our on-site reviews, we noted IDES only retains claim exception and monitoring reports for a period of four months after the end of a quarter. As such, we were unable to determine whether claim exception and monitoring reports had been worked within three business days or subject to supervisory review prior to March 1, 2015.

The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate timely follow up and documentation of review of claim exception reports.

In discussing these conditions with IDES officials, they stated updates to their procedures to reflect changes in monitoring the reports and increase the retention period of their business process were needed.

Failure to adequately document resolution of claim and monitoring reports could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 2015-065, 2014-053, 2013-047, 12-60, 11-68, 10-73, 09-65, 08-70, 07-63, 06-62, 05-88)

Recommendation:

We recommend IDES continue to improve efforts to complete and document the resolution of each claim on the exception and monitoring report (including supervisory review) in a timely manner, and retain the reports as considered necessary to evidence performance and facilitate completion of the audit.

IDES Response:

IDES accepts this finding. IDES has updated and posted policy and procedures for each of the noted reports and has announced such posting to the field staff. IDES has identified staff who are responsible for monitoring and completing the reports. IDES will implement a process whereby prior reports will be intermittently reviewed for compliance by management.

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State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
U.S. Department of Energy (USDOE)

Program Name: CDBG – State Administered Small Cities Program
State Energy Program

CFDA # and Program Expenditures: 14.228 (\$90,831,000)
81.041 (\$4,354,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-066 *Failure to Properly Report Federal Expenditures*

DCEO did not properly report loan balances under the CDBG State Administered Small Cities Program (CDBG) and State Energy Program (State Energy) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to DCEO's financial records. Specifically, we noted DCEO did not include the beginning loan balances for the CDBG and State Energy programs in the information reported to the IOC. While DCEO provided year end loan balances to the IOC and the Office of the Auditor General during the audit process, the communication did not include the specific federal programs or Catalog of Federal Domestic Assistance (CFDA) Number under which the loan balances should be reported. We proposed and the State recorded an adjustment to include the beginning loan balances on the SEFA for the CDBG and State Energy programs to adopt the SEFA reporting requirements under the Uniform Guidance.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. OMB Circular A-133 §__.310(b)(6) also requires that the SEFA include, in either the SEFA or a note to the SEFA, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the SEFA.

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure loan balances are appropriately reported by the State.

In discussing these conditions with DCEO officials, they stated the outstanding loan balances were not properly reported during the GAAP process on the prescribed Grant/Contract Analysis form (SCO-563).

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-066, 2014-054, 2013-050)

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For the Year Ended June 30, 2015

Recommendation:

We recommend DCEO establish procedures to ensure federal expenditures reported to the IOC and used to prepare the SEFA properly include loan balances outstanding at the beginning of the year as required.

DCEO Response:

DCEO accepts the finding and will review and enhance its policies regarding GAAP reporting updates and implementation to ensure accurate and timely GAAP reporting.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Energy (USDOE)

Program Name: Weatherization Assistance for Low Income Persons

CFDA # and Program Expenditures: 81.042/81.042ARRA (\$14,723,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Findings 2015-067 *Inadequate Documentation of Monitoring of Subrecipients of the Weatherization Program*

DCEO did not adequately document on-site monitoring procedures performed for subrecipients of the Weatherization Assistance for Low Income Persons (Weatherization) program.

DCEO monitors subrecipients of the Weatherization program by: (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) periodic communication of program requirements, and (4) on-site monitoring procedures. However, DCEO does not adequately document its performance of on-site monitoring procedures to review subrecipient compliance with programmatic requirements or the fiscal and administrative capabilities of any of the subrecipients of the Weatherization program. Specifically, we noted that the checklists used for the Weatherization program were highly summarized and do not adequately document the compliance requirements being reviewed or the procedures being performed.

DCEO passed through approximately \$13,694,000 of federal funding to subrecipients of the Weatherization program during the year ended June 30, 2015.

According to OMB Circular A-133 ____400 (d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated June 2015, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include adequately documenting the on-site review procedures performed.

In discussing these conditions with DCEO personnel, they stated that continuing enhancement of the monitoring tools and procedures was greatly impacted by staff turnover during the audit period.

Failure to adequately document subrecipient monitoring reviews may result in subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement and federal funds being expended for unallowable purposes. (Finding Code 2015-067, 2014-055, 2013-052, 12-63)

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Recommendation:

We recommend DCEO review its current procedures for monitoring Weatherization subrecipients to ensure monitoring tools adequately document the compliance requirements and fiscal/administrative controls being reviewed.

DCEO Response:

DCEO accepts the recommendation and will continue to develop more comprehensive Weatherization Programmatic Monitoring tools and checklists. Additionally, the Department will train monitoring staff on their use, and establish and implement a policy of programmatic monitoring utilizing the refined tools. The importance of complete and accurate tools and checklists has been discussed with staff meetings.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Highway Planning and Construction Cluster
CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,674,316,000)
Award Numbers: See table of award numbers
Questioned Costs: Cannot be determined
Finding 2015-068 *Failure to Retain Documentation in Accordance with Federal Regulations*

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

Contractors must receive advance approval from IDOT to bid on construction projects. As a condition of obtaining IDOT's advance approval, contractors are required to submit an affidavit of availability, which identifies the total value of work previously awarded but not yet complete by the contractor, the contractor's commitment of equipment and personnel on payroll for the planned project, any proposed work on which the contractor is the low bidder which has not yet been awarded, all subcontractors used by the contractor on its projects, and the value of work sublet by the contractor. This affidavit is used by IDOT to determine whether the contractor has available capacity to complete the project.

Prior to making payment to a contractor, IDOT personnel obtain and review a resident engineer (RE) pay estimate report (progress report) summarizing the pay item quantities used on the project. For each project, the RE keeps track of the contract's progress through the pay estimate report and submits the approved report to the Bureau of Construction. This RE report is required to be reviewed and approved by the resident engineer and Bureau of Construction prior to making payment to the contractor.

During our testwork of 48 contractor payments for regular construction projects (totaling approximately \$29,659,000) and 17 contractor payments for advanced construction projects (totaling \$7,271,000), we noted that the affidavit of availability could not be located for one contractor (with sampled payment of \$137,182).

Upon further review, we noted this project was originally bid prior to fiscal year 2009 and the affidavit of availability was purged in accordance with IDOT's record retention policy which only requires documentation of this nature to be retained for a five-year period. Accordingly, IDOT has purged the affidavits of availability for all projects which were bid prior to July 1, 2009, including those for open construction projects and advance construction projects claimed in the current period. As federal regulations require records to be retained for a period of three years after final payments and all other pending matters are closed, this affidavit of availability should have been retained by IDOT.

In the procurement and contract file missing the affidavit of availability, the advance approval criteria and cost information was verified through additional supporting documentation in IDOT's electronic records. Therefore, all information necessary to establish and support the advance approval procedures had been performed for the period was available; however, evidence of IDOT personnel's review and approval could not be located.

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Payments made to or claimed under advanced construction projects for the contractor identified as an exception in our testwork for the project sampled were \$731,000 for the year ending June 30, 2015. Payments made to contractors whose projects were bid prior to July 1, 2009 approximated \$16,226,000 during the year ended June 30, 2015. Payments made for construction contracts under the Highway Planning program were approximately \$1,672,485,000 during the year ended June 30, 2015.

According to 49 CFR Section 18.36(i)(10-11), records must be retained for three years after grantees or subgrantees make final payments and all other pending matters are closed to allow access to the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives for the purpose of making audits or examinations. Additionally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing record retention policies that comply with federal regulations.

In discussing these conditions with IDOT officials, they stated the Department's record retention schedule requires revision.

Failure to retain documentation in accordance with Federal regulations may result in unallowable costs being charged to the federal program and prevents Federal agencies from properly monitoring the State's compliance with program requirements. (Finding Code 2015-068, 2014-057)

Recommendation:

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

IDOT Response:

The Department agrees with the recommendation.

The Department's record retention schedule for retaining these records was revised and approved by the Secretary of State on February 29, 2016. Specifically, the record retention schedule that pertains to Authorization to Bid documents (numbered 16-05) has been revised to reflect a 10 year retention schedule. This coincides with the relatively new FHWA requirement to have final reimbursement made within 7 years (5 years for projects under \$1 M) of project authorization and provide an additional 3 years of retention to satisfy the CFR.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster
Surface Transportation Discretionary Grants for Capital Investment

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,674,316,000)
20.932ARRA (\$3,268,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2015-069 *Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning and TIGER Programs*

IDOT did not obtain certified payrolls in accordance with its established internal control procedures for the Highway Planning and Construction Cluster (Highway Planning) and Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. These regulations require, in part, that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid prevailing wage rates established for the locality of the project. Each subcontractor subject to the Wage Rate Requirement (formally known as the Davis-Bacon Act) must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on the construction site is required to keep a log of contractors and monitor payroll submission. These logs are reviewed by the resident engineer, which indicates the certified payrolls for that period have been received prior to payment in accordance with IDOT's established controls.

During our testwork of 48 Highway Planning contractor payments for regular construction projects (totaling approximately \$29,659,000), 17 Highway Planning contractor payments for advanced construction projects (totaling approximately \$7,271,000), and 3 TIGER contractor payments for regular construction projects (totaling approximately \$331,000), we noted the following:

- The certified payrolls for 3 Highway Planning contractor payments on regular construction projects (totaling approximately \$876,000) were not received prior to payment. The number of days the certified payrolls were received subsequent to the payments made to the contractors ranged from 15 to 62 days.
- The certified payrolls for 21 Highway Planning contractor payments on regular construction projects (totaling approximately \$17,930,000), 4 Highway Planning contractor payments on advanced construction projects (totaling approximately \$2,970,000), and 3 TIGER contractor payments on regular construction projects (totaling approximately \$331,000) were not date stamped. As a result, we were unable to determine whether they were received prior to making payments to the contractors.
- The certified payrolls for 5 Highway Planning contractor payments on regular construction projects (totaling approximately \$633,000) and 6 Highway Planning contractor payments on advanced construction projects (totaling approximately \$4,244,000) were not signed by either the Resident

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Engineer, documentation staff, or Equal Employment Opportunity (EEO) personnel. As a result, we were unable to determine whether the certified payroll was approved prior to making payments to the contractor.

Payments made for construction contracts under the Highway Planning and TIGER programs were approximately \$1,410,153,000 and \$1,008,000 respectively, during the year ended June 30, 2015.

According to 29 CFR Section 5.5(a)(3)(ii)(A), the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Resident Engineer. Each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract. The A-102 Common Rule and 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure certified payrolls are received in accordance with established control procedures.

In discussing these conditions with IDOT personnel, they stated the Department's written procedures and policies do not address the signing and dating of the payrolls.

Failure to obtain certified payrolls in accordance with IDOT's established control procedures could result in contractors not paying the prevailing wage rate to employees. (Finding Code 2015-069, 2014-056, 2013-054, 12-66, 11-77)

Recommendation:

We recommend IDOT review its current procedures and consider any changes necessary to ensure weekly payroll certifications are received in accordance with program requirements.

IDOT Response:

The Department agrees with the recommendation.

Written procedures are currently being drafted as part of Construction Memorandum 14 that will provide the controls necessary to ensure Federal compliance for collection of certified payrolls

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State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,674,316,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-070 *Failure to Notify Subrecipients of Federal Funding*

IDOT did not provide required federal program information to its subrecipients of the Highway Planning and Construction Cluster (Highway Planning) program for the year ended June 30, 2015.

During our testwork of 40 grant awards to 40 subrecipients who received approximately \$23,439,000 of Highway Planning funds, we noted the following:

- One grant award notice for the Highway Planning program did not communicate the need for an audit in accordance with OMB Circular A-133.
- One grant award notice for the Highway Planning program included incorrect information regarding the need for an audit in accordance with OMB Circular A-133. Specifically, IDOT notified those subrecipients that an audit in accordance with OMB Circular A-133 is required if the subrecipient receives (rather than expends) federal financial assistance totaling \$500,000 or more from any source during its fiscal year.
- One grant award notice for the Highway Planning program did not communicate the specific program or CFDA number and title under which federal financial assistance had been provided.

Subrecipient expenditures under the federal program for the year ended June 30, 2015 were as follows:

Program	Total Fiscal Year 2015 Subrecipient Expenditures	Total Fiscal Year 2015 Program Expenditures	%
Highway Planning Program	225,980,000	1,674,316,000	13.5%

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, and award year. The pass through entity is also required to advise subrecipients of the need for an audit in accordance with OMB Circular A-133 if a subrecipient expends more than \$500,000 in federal financial assistance during its fiscal year. According to 2 CFR Section 176.50(c), recipients and their first tier recipients must maintain current registrations in the System of Awards Management at all times during which they have active federal awards funded with Recovery Act funds. The A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with

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Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required federal award notifications are made to subrecipients.

In discussing these conditions with IDOT officials, they stated that both of the project agreements were executed in 2012 prior to correcting the agreement template. The projects should have been picked up with the mass mailing of open projects but were omitted by a glitch in the reporting query.

Failure to inform subrecipients of federal award information could result in subrecipients improperly omitting expenditures from their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 2015-070, 2014-060, 2013-056, 12-68, 11-79, 10-86, 09-77, 08-81, 07-73, 06-74, 05-78, 04-63)

Recommendation:

We recommend IDOT review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

IDOT Response:

The Department agrees with the recommendation.

The Department sent notification to grantees with active projects in order to resolve the prior year finding. We will review the query used to generate the active project report and identify any additional projects that were excluded from the initial notification. Notification will be sent for the excluded projects.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster
Surface Transportation Discretionary Grants for Capital Improvement

CFDA # and Program Expenditures: 20.106/20.106ARRA (\$57,753,000)
20.205/20.205ARRA/20.219 (\$1,674,316,000)
20.932ARRA (\$3,268,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-071 *Inadequate Controls over Information Systems*

IDOT does not have adequate program change management controls over the IDOT Integrated Transportation Project Management system.

The information technology applications that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

During our testwork over changes made to IDOT's information systems, we noted IDOT was not able to generate a list of changes made to its information systems from each respective information system or application. IDOT's current procedures include tracking changes made to its information systems in a database; however, the information is manually input into the database. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

The A-102 Common Rule and 2 CFR 200.303 require non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs have proper change management controls in place.

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In discussing these conditions with IDOT officials, they stated the Department of Central Management Services (DCMS) has exclusive authority and ability to move program changes into production within the mainframe environment. To IDOT's knowledge, and confirmed by DCMS, the mainframe environment does not provide the capability to log or track changes made to production programs.

Failure to ensure the information systems that are used to administer the federal programs have proper change management controls in place could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2015-071, 2014-063, 2013-067, 12-82)

Recommendation:

We recommend IDOT implement procedures to ensure all information systems can generate a list of program changes from the information systems and applications.

IDOT Response:

The Department agrees with the recommendation.

The Department will work with DCMS as well as other State of Illinois agencies to implement a process and mechanism that will allow for the recording and tracking of specific changes made with the source of such recording and tracking being each respective information system or application.

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For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Highway Planning and Construction Cluster
CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,674,316,000)
Award Numbers: See table of award numbers
Questioned Costs: None
Finding 2015-072 *Failure to Follow Sampling and Testing Program for Construction Materials*

IDOT did not test materials used for construction activities under the Highway Planning and Construction Cluster (Highway Planning) program in accordance with their approved sampling and testing program.

The Highway Planning program administered by IDOT provides federal funding to construct and rehabilitate interstate highways and public roads. IDOT is required to have a sampling and testing program in place to ensure that materials and workmanship generally conform to approved plans and specifications. Each state is required to develop their own sampling and testing program which must conform to requirements established by Federal law and must be approved by the Federal Highway Administration (FHWA). IDOT has developed a comprehensive sampling and testing program as documented in the Project Procedures Guide for Sampling Frequencies for Materials Testing and Inspection (the Guide) and the Manual for Materials Inspection (the Manual) that meets these requirements.

IDOT utilizes the Materials Integrated System for Test Information and Communication (MISTIC) system to track which materials require testing and the method of testing to be used. This system is integrated with IDOT's construction billing system in which resident engineers enter quantities used during construction to generate payments to the contractors. If quantities entered do not have a test number which conforms to the type of testing required by the Guide assigned in MISTIC, it is the resident engineer's responsibility to ensure the proper test is completed before payment is made.

During our testwork of 65 materials from ongoing (open) construction projects and advanced construction projects, we noted two instances in which materials were accepted using a method of acceptance that was not in accordance with the Manual.

According to 23 CFR Section 637.205(a), each state's transportation department shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the National Highway System are in conformity with the requirements of the approved plans and specifications, including approved changes.

Additionally, according to 49 CFR Section 18.36(i)(10) and 18.36(i)(11), records must be retained for three years after grantees or subgrantees make final payments and all other pending matters are closed to allow access to the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives for the purpose of making audits or examinations.

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Finally, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure materials used in each Federal-aid highway construction project on the National Highway System are tested in accordance with the sampling and testing plan approved by the Federal Highway Administration (FHWA).

In discussing these conditions with IDOT officials, they stated for the two items in question, the Manual for Materials Inspection identifies the correct method of acceptance. The errors were due to employee error.

Failure to follow the sampling and testing program approved by the FHWA could result in substandard materials and workmanship in the State's interstate highways and public roads. (Finding Code 2015-072, 2014-064, 2013-059, 12-69, 11-80, 10-87, 09-79)

Recommendation:

We recommend IDOT implement procedures to ensure all materials are tested in accordance with the sampling and testing program approved by the FHWA and retain documentation in accordance with federal regulations.

IDOT Response:

The Department agrees with the recommendation.

Based on the possible causes for this finding, the Department will re-emphasize the importance of always using the correct method of acceptance for all construction materials which can generally be found in the current Manual for Materials Inspection.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster
High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
Surface Transportation Discretionary Grants for Capital Investment

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,674,316,000)
20.319/20.319ARRA (\$221,875,000)
20.932ARRA (\$3,268,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2015-073 Inaccurate Reporting of Federal Expenditures

IDOT did not accurately report Federal expenditures under the Highway Planning and Construction Cluster (Highway Planning), the High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (High Speed Rail), and the Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOT’s financial records. Specifically, we noted the following differences for the year ended June 30, 2015:

Program	SEFA Caption	Amounts Reported on the SEFA	Amounts per IDOT’s Records	Difference
Highway Planning	Amounts passed through to subrecipients	\$225,980,000	\$225,503,000	\$477,000
High Speed Rail	Amounts passed through to subrecipients	35,679,000	1,109,000	34,570,000
TIGER	Amounts passed through to subrecipients	706,000	2,257,000	(1,551,000)

In addition, other correcting entries were identified by IDOT’s financial statement auditors in their review of the data reported to the IOC which were recorded by the State in preparing the SEFA. These adjustments affected amounts reported for the Highway Planning Cluster and TIGER programs

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule and 2 CFR 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information for audit purposes is complete and accurate.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

In discussing these conditions with IDOT officials, they stated the finding was caused by the misidentification of subrecipients in several programs during the preparation of fiscal year-end reporting for GAAP and the SEFA. As a result, some expenditures were incorrectly included in the SEFA and some expenditures were omitted from the SEFA.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2015-073, 2014-058, 2013-053, 12-81, 11-87)

Recommendation:

We recommend IDOT establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

IDOT Response:

The Department agrees with the recommendation.

The Department will enhance its process to accurately report federal expenditures, including subrecipient expenditures, used to prepare the SEFA.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Surface Transportation Discretionary Grants for Capital Investment
CFDA # and Program Expenditures: 20.932ARRA (\$3,268,000)
Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-074 *Inaccurate TIGER Financial Reports*

IDOT did not prepare accurate financial reports for the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT is required to prepare financial status (SF-425) reports on a quarterly basis for the TIGER program. During our testwork of two SF-425 reports, we noted that for the December 31, 2014 quarterly report, IDOT reported expenditure data on lines 10 (i), (j), and (k) which pertain to the recipient's share (matching amounts) when the TIGER program is 100% federal funding.

According to 74 Federal Register 29916, Appendix 3.5, IDOT is required to submit quarterly financial status reports (known as SF-425 reports) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is complete and accurate.

In discussing these conditions with IDOT officials, they stated corrective action of the prior year finding was not implemented until the third quarter of State fiscal year 2015.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the TIGER program. (Finding Code 2015-074, 2014-062, 2013-064, 12-78)

Recommendation:

We recommend IDOT review the process and procedures in place to prepare financial reports required for the TIGER program and implement the additional procedures necessary to ensure financial and other award information reported in required financial reports is complete and accurate.

IDOT Response:

The Department agrees with the recommendation. For the first and second quarters of State fiscal year 2015, the Department reviewed the process and procedures in place for SF-425 reporting with the new understanding that expenditure data on lines 10 (i), (j), and (k), (recipients' share amount) be \$0 and that TIGER programs are 100% federally funded. For the third and fourth quarters of State fiscal year 2015, the Corrective Action was fully implemented in the adjusted SF-425 reports for the third and fourth quarters.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

State Agency: Illinois Governor’s Office of Management and Budget (GOMB)

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
U.S. Department of Health and Human Services (USHHS)
U.S. Social Security Administration (USSSA)

Program Name: CDBG – State Administered Small Cities Program Cluster
State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 14.228 (\$90,831,000)
93.525 (\$73,984,000)
96.001 (\$87,267,000)

Award Numbers: See schedule of award numbers

Questioned Costs: None

Finding 2015-075 *Inadequate Procedures for Amending the Treasury-State Agreement*

The State does not have adequate procedures in place to ensure the Treasury State Agreement (TSA) is amended in accordance with federal regulations.

Annually, the State of Illinois and the U.S. Department of the Treasury (the Treasury) negotiate the TSA, which details the funding techniques to be used for the draw down of federal funds. The TSA is required to include all major federal assistance programs exceeding \$70,864,000 based on the most recent Statewide Single Audit Report; however, the State is also required to amend the TSA within 30 days of determining that a program will exceed the expenditure threshold.

During our audit, we noted the State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges program was expected to exceed the \$70,864,000 program expenditure threshold in fiscal year 2015 based on amounts budgeted/expended, however, the TSA was not amended to include this program during fiscal year 2015. Upon further review of the procedures in place to amend the TSA, we noted the State performs an annual review of the programs it includes in the TSA; however, the State has not established procedures to ensure changes in grant awards or spending occurring throughout the fiscal year are identified in a timely manner to properly update the TSA.

Additionally, as a result of not properly including the Community Development Block Grants – State Administered Small Cities Program Cluster, and Disability Insurance / SSI Cluster Program programs in the 2014 TSA agreement, the State did not prepare interest calculations for these programs in 2015, as is required under the Cash Management Improvement Act (CMIA).

According to 31 CFR 205.9(b), a State must use its most recent Single Audit report as a basis for determining the funding thresholds for major Federal assistance programs to be included in the TSA. According to 31 CFR

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

205.7(c), the TSA must be amended as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. Also, a State must notify the Treasury within 30 days of the time the State becomes aware of a change, and must describe the change in the notification. Amendments may address, but are not limited to, additions and deletions of Federal assistance programs subject to the TSA.

In addition, the A-102 Common Rule requires that non-Federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal control should include establishing procedures to ensure changes in grant awards or spending are identified in a timely manner to properly update the TSA.

In discussing these conditions with GOMB personnel, they stated this condition arose due to an oversight with respect to the State Planning and Establishment Grants for the Affordable Care Act Exchanges program because two different agencies spent out of the grant and it was missed that the two in aggregate would exceed the \$70,864,000 threshold of the requirements for amending the TSA.

Failure to amend the TSA when required is a violation of the CMIA and may result in interest liabilities being assessed to the State. (Finding Code 2015-075, 2014-069, 2013-073, 12-90, 11-100, 10-101)

Recommendation:

We recommend the State establish procedures to ensure the TSA is amended for any necessary changes in accordance with federal regulations in a timely manner.

GOMB Response:

GOMB concurs with the auditor's finding and recommendation and will revise existing procedures to ensure the TSA is amended on a timely basis for any necessary changes in accordance with federal regulations.

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Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2015

Name of Federal Program or Cluster (CFDA #):

Supplemental Nutrition Assistance Program Cluster (10.551/10.561):

Award Number			
2012IS820442	2013IQ390342	2014IE251842	2014IS251442
2014IS251942	2014IS252042	2014IS750342	2014IS803642
2015IE251842	2015IQ390342	2015IS251442	2015IS251942
2015IS252042			

Child Nutrition Cluster (10.553/10.555/10.556/10.559):

Award Number		
2014CN109942	2014IN109942	2015IN109942

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):

Award Number			
2013IW500342	2014IW500342	2014IW100342	2014IW100642
2015IW100342	2015IW100642		

Child and Adult Care Food Program (10.558):

Award Number			
2014CN109942	2014IN109942	2014CN202042	2014IN202042
2015IN109942	2015IN202042		

Community Development Block Grant - State-Administered Small Cities Program Cluster (14.228):

Award Number			
B-00-DC-17-0001	B-05-DC-17-0001	B-06-DC-17-0001	B-07-DC-17-0001
B-08-DC-17-0001	B-09-DC-17-0001	B-10-DC-17-0001	B-11-DC-17-0001
B-12-DC-17-0001	B-13-DC-17-0001	B-14-DC-17-0001	B-08-DF-17-0001
B-08-DI-17-0001			

Employment Services Cluster (17.207/17.801/17.804):

Award Number			
ES22994KF0	ES22994KJ0	ES24613PG0	ES24613PK0
ES26017TU0	ES26017TY0	ES27488ZK0	DV19638D44
DV26587N5C	DV19638L44		

Unemployment Insurance Program (17.225):

Award Number			
ES22994OH1	ES246130H1	ES24613PZ1	MI25157MJ0
UI22274IN0	UI22274IO0	UI22274JH0	UI22274MX0
UI238890J1	UI23889MQ0	UI23889MX0	UI23889NJ0
UI23889NP0	UI23889NQ0	UI23889OJ0	UI23889RP0
UI25200RI0	UI25200RP0	UI25200SB0	UI25200SH0
UI25200SI0	UI25200SZ0	UI25200SZ1	UI25200WK0
UI26393SZ0	UI26532WK0	UI26532XE0	UI26532XF0
UI26532XW0			

Airport Improvement Program (20.106):

Award Number			
3-17-0006-56	3-17-0068-73	3-17-0096-59	3-17-SBGP-110
3-17-0006-58	3-17-0068-74	3-17-0096-60	3-17-SBGP-111 A
3-17-0006-59	3-17-0068-75	3-17-0096-61	3-17-SBGP-111 N
3-17-0006-60	3-17-0068-76	3-17-0096-62	3-17-SBGP-116 D
3-17-0006-62	3-17-0080-56	3-17-0096-63	3-17-SBGP-118 D
3-17-0016-26	3-17-0080-57	3-17-0096-64	3-17-SBGP-64
3-17-0016-28	3-17-0080-58	3-17-0096-65	3-17-SBGP-66
3-17-0016-29	3-17-0080-59	3-17-0096-66	3-17-SBGP-73
3-17-0022-117	3-17-0080-60	3-17-0096-67	3-17-SBGP-74
3-17-0022-121	3-17-0080-70	3-17-0146-28	3-17-SBGP-76
3-17-0022-127	3-17-0088-58	3-17-0146-29	3-17-SBGP-80
3-17-0022-128	3-17-0088-60	3-17-0146-30	3-17-SBGP-84
3-17-0022-129	3-17-0088-62	3-17-SBGP-100	3-17-SBGP-85
3-17-0022-134	3-17-0088-63	3-17-SBGP-101	3-17-SBGP-87
3-17-0022-18	3-17-0088-64	3-17-SBGP-102	3-17-SBGP-88
3-17-0025-81	3-17-0088-67	3-17-SBGP-103	3-17-SBGP-91
3-17-0025-82	3-17-0088-68	3-17-SBGP-104	3-17-SBGP-93
3-17-0027-08	3-17-0088-70	3-17-SBGP-105 A	3-17-SBGP-94
3-17-0027-09	3-17-0088-71	3-17-SBGP-105 N	3-17-SBGP-95
3-17-0065-30	3-17-0088-72	3-17-SBGP-105A	3-17-SBGP-96
3-17-0065-31	3-17-0088-73	3-17-SBGP-106	3-17-SBGP-97
3-17-0066-62	3-17-0093-63	3-17-SBGP-106	3-17-SBGP-98
3-17-0068-70	3-17-0096-67	3-17-SBGP-107	3-17-SBGP-99
3-17-0068-71	3-17-0096-48	3-17-SBGP-108	3-17-SBGP-111 N
3-17-0068-72	3-17-0096-55	3-17-SBGP-109	

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Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2015

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number												
0001105	0028108	0055009	0071122	0089123	0111053	0159049	0196103	0304037	0317089	0331055	0341048	0351028
0001114	0029106	0055053	0072006	0089129	0111054	0159050	0197106	0304044	0317091	0331056	0341053	0351108
0003125	0029115	0055062	0072103	0089133	0111056	0161017	0197110	0304045	0317093	0331058	0341055	0352014
0003126	0029292	0055068	0072104	0089134	0111058	0161100	0197118	0304046	0317094	0331059	0341111	0353017
0004913	0029293	0055072	0072105	0089138	0111061	0162012	0197119	0305044	0317095	0331060	0342008	0353019
0005125	0029294	0055400	0072401	0089141	0111065	0163035	0197123	0305046	0317096	0331061	0342009	0353020
0005409	0029295	0055401	0072402	0089142	0113035	0165030	0197124	0305047	0317115	0331064	0343017	0353021
0006034	0029296	0055402	0073066	0089143	0115065	0165036	0197126	0305048	0318015	0331066	0343018	0353023
0009221	0029297	0055403	0073103	0089147	0115067	0165038	0197132	0305050	0318106	0331067	0343019	0358105
0009222	0029298	0055404	0074010	0089149	0115068	0165041	0199026	0305999	0320036	0331068	0343020	0361004
0011074	0031035	0055406	0074300	0089150	0115069	0167057	0199034	0307012	0320037	0331069	0343021	0362003
0011081	0031036	0055407	0074301	0089153	0116057	0167063	0199040	0307030	0320038	0331118	0343022	0362006
0011083	0033007	0055408	0074302	0089156	0116058	0167065	0200107	0307033	0322067	0332094	0343023	0365012
0011084	0033100	0055409	0074304	0089160	0117071	0167067	0201032	0307034	0322092	0332095	0343024	0365014
0011086	0033103	0055411	0074306	0089164	0117075	0167075	0203025	0307035	0322093	0332108	0343025	0365015
0011090	0033104	0057005	0074307	0089167	0117077	0167078	0203027	0307037	0322095	0332109	0344040	0366003
0011094	0034104	0057033	0074308	0089169	0117078	0169039	0206113	0307039	0322096	0332110	0344041	0370005
0011095	0035045	0057034	0074309	0089173	0117080	0173158	0206114	0307040	0322097	0332112	0344049	0370012
0011096	0037049	0057100	0074313	0089177	0117081	0173171	0206118	0308036	0322100	0332113	0344050	0370102
0011097	0037050	0057302	0075139	0089178	0119068	0173173	0209019	0308039	0323027	0332114	0344055	0372011
0011115	0037051	0057303	0075141	0090400	0119069	0173176	0209021	0308041	0323029	0332115	0344056	0373028
0011117	0037056	0057304	0075142	0091072	0119071	0173178	0209026	0308042	0323032	0332116	0344057	0373029
0011118	0037059	0057306	0075145	0091073	0121051	0173181	0216104	0308043	0324016	0332118	0344058	0373109
0011121	0037060	0057307	0075147	0091129	0121053	0173182	0217105	0308103	0324020	0332119	0344059	0374014
0011123	0037061	0057308	0075149	0094016	0121056	0175025	0217106	0308104	0324021	0332121	0344070	0377038
0011124	0039033	0057313	0075150	0094401	0121058	0175028	0221103	0309011	0325050	0332122	0345056	0379005
0011125	0039036	0057315	0075152	0094402	0123026	0175030	0226102	0309014	0325052	0333015	0345057	0379006
0011126	0039037	0059023	0075156	0095054	0123027	0177043	0240104	0310126	0325057	0334013	0345058	0389004
0013011	0039039	0061051	0075157	0095058	0123029	0177044	0246092	0310136	0325058	0334019	0345059	0391031
0013100	0039400	0061054	0075159	0095128	0126008	0177045	0251107	0310138	0325060	0334022	0345060	0391032
0013134	0041135	0062005	0075180	0095135	0127018	0178105	0255005	0310139	0325061	0334023	0345061	0393006
0013135	0041136	0063060	0075181	0095138	0129021	0179031	0255400	0310141	0326067	0334024	0345062	0393007
0013137	0042101	0063061	0076105	0096111	0129023	0179035	0255401	0310145	0326083	0334025	0345212	0393009
0015045	0042103	0063062	0077047	0097035	0131053	0179036	0255402	0310146	0326087	0334113	0346014	0393105
0016058	0042104	0063100	0077051	0099047	0131054	0181050	0256001	0310147	0326088	0335018	0346016	0397003
0017129	0042105	0063110	0077056	0099049	0132132	0181053	0256003	0310150	0326089	0335099	0346017	0397004
0017130	0042106	0063111	0077064	0099052	0132133	0181054	0256004	0310151	0326090	0336004	0347016	0397005
0017219	0043019	0063112	0079133	0099053	0139061	0181055	0260105	0310152	0326093	0336021	0347023	0397097
0017220	0043020	0064401	0079148	0101034	0139062	0181056	0270102	0310153	0326094	0336031	0347024	0399012
0019125	0043021	0064402	0080400	0101042	0139063	0181057	0270401	0311041	0327046	0336035	0347025	0400011
0020011	0043022	0065049	0080401	0101043	0139064	0181063	0270403	0311044	0327056	0336036	0347029	0400104
0020043	0043024	0065052	0080402	0101044	0140004	0183302	0271103	0311045	0327058	0336049	0347030	0403001
0020044	0043026	0065054	0080403	0101045	0141067	0183308	0277103	0311046	0327059	0336051	0348034	0407004
0020061	0043028	0065055	0080405	0101046	0141069	0183313	0290200	0311047	0327060	0336100	0348035	0428106
0020062	0043029	0067082	0080406	0101047	0141070	0183316	0290201	0311048	0327103	0337006	0348040	0431103
0020063	0043030	0067083	0080407	0101048	0141071	0183318	0294109	0312034	0328028	0337010	0348046	0431104
0020065	0045046	0067084	0081053	0101049	0141072	0183319	0294110	0312036	0328029	0338032	0348047	0432124
0020066	0045047	0067142	0081062	0103063	0141073	0185010	0295003	0312038	0328030	0338042	0348049	0447107
0021053	0045048	0067144	0081063	0103067	0141074	0185023	0297003	0312039	0328031	0338043	0348050	0452124
0021163	0045049	0067146	0081065	0103068	0141075	0185034	0297006	0312042	0328033	0338044	0348051	0452125
0021180	0045052	0067147	0081066	0103070	0142006	0185035	0297007	0312043	0328034	0338046	0348052	0455107
0021181	0047035	0067149	0081068	0103072	0143037	0185036	0297550	0312044	0329013	0338048	0348053	0470109
0022081	0047036	0067152	0081071	0103073	0143051	0187039	0301024	0312045	0329014	0338049	0349016	0502015
0023059	0047037	0067157	0081073	0103074	0143052	0187041	0301064	0312125	0329015	0338050	0349017	0502016
0025061	0047038	0068012	0081075	0103075	0143056	0188118	0301070	0313022	0330046	0338051	0349111	0503001
0025066	0049158	0068104	0081076	0103076	0143057	0188121	0301071	0314008	0330058	0338052	0350018	0505025
0025067	0049159	0068109	0083041	0105051	0143058	0191063	0301074	0315046	0330064	0338054	0350019	0506013
0025073	0049160	0068111	0083044	0105056	0143059	0191065	0301075	0315047	0330065	0339027	0350025	0510035
0025074	0049162	0068113	0083046	0105057	0143060	0191066	0301076	0315063	0330067	0339029	0350035	0510036
0025076	0051090	0068114	0083048	0105058	0143061	0191067	0301077	0315064	0330068	0339030	0350036	0510037
0025077	0051091	0069010	0083050	0105059	0145019	0191068	0303052	0315066	0330069	0339031	0350038	0510038
0025078	0051093	0070400	0083051	0109054	0145037	0193026	0303053	0315105	0330070	0339032	0350039	0514011
0025079	0051094	0070401	0083052	0109055	0145042	0193058	0303054	0316037	0330072	0341024	0350040	0514012
0026003	0051095	0070402	0085056	0109058	0147066	0193059	0303055	0316039	0330073	0341025	0350042	0514101
0026105	0053100	0070405	0085057	0110111	0149001	0193064	0303056	0316040	0330074	0341033	0351024	0517059
0027041	0053105	0070406	0087131	0111049	0155200	0193065	0303057	0317016	0330075	0341035	0351025	0517060
0028107	0055008	0071060	0088020	0111052	0156059	0193071	0303058	0317087	0331054	0341038	0351026	0522007
0522118	0575314	0657007	0729014	0788006	0877014	1364003	1984001	3000046	4003010	4003197	4009132	4009273

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Table of Award Numbers

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Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number												
0524001	0576190	0657100	0730022	0788114	0885041	1376011	1984002	3000047	4003011	4003199	4009135	4009275
0524004	0576191	0658024	0731110	0789049	0885044	1378103	1984003	3000048	4003012	4003202	4009136	4009277
0524005	0576194	0658026	0732147	0793022	0885045	1379104	1984004	3000049	4003013	4003205	4009137	4009278
0524006	0577276	0662062	0732148	0799003	0885046	1384107	2081100	3000050	4003014	4003206	4009139	4009279
0525117	0577289	0662063	0732150	0802065	0885047	1386005	2087001	3000051	4003015	4003209	4009140	4009280
0531109	0577291	0662065	0733111	0802067	0885048	1388001	2137001	3000052	4003018	4003212	4009141	4009281
0533011	0577292	0662067	0733112	0803135	0897008	1405002	2179110	3000053	4003021	4003220	4009143	4009288
0534010	0577294	0662068	0734043	0803136	0897010	1405106	2267001	3045003	4003022	4003221	4009148	4009290
0535103	0582031	0664003	0734044	0803150	0901032	1419010	2361108	3083104	4003030	4003224	4009149	4009291
0537013	0585009	0664004	0734045	0804189	0902106	1468004	2370116	3163002	4003037	4003226	4009150	4009297
0537015	0585011	0664102	0734104	0804190	0903216	1501010	2402102	3183001	4003040	4003233	4009152	4052001
0541012	0586039	0665015	0736111	0804191	0904116	1517113	2428001	3200000	4003048	4003240	4009153	4053001
0541013	0587025	0666019	0737011	0804193	0905083	1527009	2463001	3200001	4003051	4003243	4009157	4054001
0542005	0587026	0666022	0738110	0804194	0909105	1527012	2484107	3200003	4003056	4003249	4009158	4056001
0546109	0587027	0666023	0738111	0805057	0913050	1527018	2556021	3246002	4003058	4003265	4009164	4060002
0551081	0587028	0667107	0741099	0805060	0919110	1527028	2572028	3246003	4003059	4003273	4009165	4064002
0551082	0587029	0668006	0741100	0805071	0921104	1527029	2578005	3246004	4003067	4003285	4009168	4064003
0551084	0591023	0668007	0741108	0805072	0923105	1527032	2600104	3260002	4003070	4003286	4009170	4065006
0552122	0591024	0669031	0741310	0805075	0927110	1527034	2678007	3260003	4003074	4003291	4009171	4066001
0553153	0591025	0669032	0742128	0808038	0931111	1527035	2688002	3261001	4003079	4003293	4009172	4066003
0553154	0591026	0669035	0742131	0808039	0937115	1527036	2688003	3463006	4003085	4003301	4009174	4067001
0553158	0591027	0678108	0742134	0808040	0937117	1527037	2691003	3463007	4003086	4003305	4009176	4070001
0554169	0594006	0680109	0742136	0809004	0938003	1527090	2701103	3465002	4003087	4003314	4009178	4071001
0554172	0594007	0681040	0742137	0809005	0941027	1536106	2704001	3525003	4003090	4003316	4009179	4071002
0554176	0595033	0681041	0743104	0809105	0942246	1548002	2705086	3537006	4003108	4003319	4009180	4072001
0555110	0599026	0681042	0745001	0813112	0942247	1548003	2706402	3562007	4003109	4003332	4009181	4074001
0556199	0599027	0682011	0745060	0815103	0943347	1551010	2707107	3565005	4003114	4003335	4009183	4076001
0556227	0600060	0684106	0745155	0821046	0943369	1560001	2711014	3565006	4003115	4003372	4009185	4081001
0556232	0600061	0685030	0745163	0823012	0943417	1566003	2711018	3576002	4003116	4003385	4009190	4085007
0556236	0603115	0685031	0745165	0823013	0958001	1566004	2729002	3578010	4003122	4003388	4009191	4086002
0556237	0604025	0685033	0745311	0824014	0963001	1570001	2729105	3581001	4003123	4003451	4009192	4086004
0556239	0608021	0685034	0746159	0824020	0998001	1573001	2735103	3581002	4003125	4008008	4009193	4091014
0556243	0608022	0685036	0746160	0827005	0999002	1576002	2743001	3597003	4003126	4008039	4009195	4096001
0556244	0611109	0686007	0746161	0827006	0999003	1583003	2775003	3638011	4003130	4008088	4009196	4099001
0556245	0611111	0686010	0749025	0828022	1018002	1587005	2783007	3644001	4003131	4008089	4009197	4301001
0556246	0613020	0686012	0749026	0828023	1019005	1587006	2801101	3650001	4003132	4008100	4009198	4747103
0556247	0613021	0693066	0752004	0832014	1027004	1588109	2803103	3658011	4003134	4008101	4009202	4747104
0556311	0613116	0693067	0752100	0832103	1036004	1597109	2806050	3666011	4003135	4008115	4009203	5000914
0556312	0614031	0693068	0754011	0836031	1099002	1598050	2821109	3716012	4003136	4009005	4009204	5000993
0557260	0614032	0693069	0754013	0836114	1122108	1598100	2845005	3730003	4003138	4009011	4009205	5000994
0557261	0619021	0693071	0757009	0840064	1149100	1610102	2845007	3734011	4003143	4009016	4009211	5001003
0557278	0619022	0698023	0761011	0840067	1166001	1620050	2857008	3774011	4003144	4009028	4009218	5008019
0557280	0622008	0698034	0761013	0840068	1190105	1666103	2857009	3778001	4003145	4009031	4009223	5011204
0557281	0623031	0698035	0762008	0841013	1191001	1671109	2857010	3847012	4003146	4009032	4009225	5011210
0556107	0623107	0698036	0766006	0846022	1231009	1698100	2857101	3854012	4003147	4009035	4009227	5011211
0567118	0624111	0701178	0770013	0846023	1233106	1705103	2869106	3865011	4003148	4009046	4009233	5011212
0567127	0626007	0702234	0770016	0846025	1245104	1737104	2870001	3887005	4003149	4009047	4009234	5011228
0570003	0627014	0702235	0770106	0849114	1257001	1749102	2879001	3887006	4003150	4009052	4009235	5011248
0571231	0631016	0704098	0773009	0852013	1272001	1780122	2881102	3887007	4003153	4009056	4009236	5011250
0572148	0634114	0704141	0773010	0855007	1277105	1785101	2882100	3887008	4003154	4009060	4009237	5011252
0572151	0635008	0704142	0776025	0855110	1277106	1790104	2887003	3887009	4003155	4009076	4009239	5011253
0572155	0638012	0709028	0776027	0856109	1279111	1806103	2903064	3902003	4003156	4009085	4009241	5011255
0573161	0638023	0709029	0776028	0861021	1279112	1834104	2913003	3902011	4003159	4009089	4009243	5011259
0573311	0638111	0711109	0776030	0863003	1279113	1857124	2916004	3915012	4003160	4009096	4009246	5011264
0573316	0641116	0712020	0777016	0863107	1285004	1879120	2937004	3923011	4003161	4009104	4009248	5011282
0573318	0641123	0716013	0778010	0866011	1312001	1884114	2937005	3943011	4003162	4009106	4009249	5011288
0573319	0641125	0717032	0779010	0868123	1320004	1887105	2937006	3963011	4003164	4009107	4009251	5011289
0573320	0641129	0717034	0779104	0869038	1320999	1901001	2943017	3968011	4003175	4009111	4009253	5011304
0573321	0646071	0717106	0781029	0869039	1321019	1908002	2943018	3979011	4003176	4009113	4009260	5011306
0574131	0646073	0720107	0781034	0869041	1321021	1911107	2943019	4000015	4003177	4009115	4009261	5011307
0574132	0646077	0721219	0782120	0869042	1322124	1911108	2943020	4000043	4003180	4009117	4009262	5011309
0574206	0646079	0722093	0784103	0870012	1322125	1919106	2943021	4000044	4003184	4009118	4009263	5011310
0574207	0653029	0723111	0786009	0870013	1322126	1920108	2987001	4000047	4003185	4009121	4009264	5011311
0574208	0653030	0724015	0786011	0870014	1323001	1937002	2992001	4003001	4003193	4009124	4009265	5011315
0575185	0653031	0726062	0786012	0872102	1324104	1945102	3000043	4003002	4003194	4009128	4009266	5011317
0575196	0656112	0726063	0786013	0873113	1326003	1964001	3000044	4003005	4003195	4009129	4009271	5011327
0575198	0656113	0726064	0788005	0876076	1362115	1964003	3000045	4003009	4003196	4009131	4009272	5011328
5011329	5080005	6000211	6000355	8173001	9003325	9003636	9003838	9183001	000S903	000V015	000D1910	
5011330	5092006	6000213	6000359	8003160	9003009	9003328	9003643	9003842	9189004	000S904	000V016	000D1911

STATE OF ILLINOIS
Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2015

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number												
5011333	5093099	6000215	6000360	8003167	9003010	9003330	9003647	9003855	9251011	000S905	00D1632	00D1921
5011339	5093107	6000216	6000363	8003223	9003017	9003339	9003656	9003856	9257005	000S907	00D1639	00D1925
5011341	5093130	6000230	6000364	8003255	9003021	9003347	9003659	9003859	9481003	000S908	00D1653	00D1936
5011357	5093131	6000237	6000366	8003373	9003027	9003348	9003660	9003860	9588003	000S909	00D1664	00D1937
5011358	5093132	6000238	6000367	8003381	9003042	9003427	9003661	9003871	000S043	000S910	00D1667	00D1940
5011359	5093137	6000239	6000368	8003382	9003044	9003435	9003673	9003875	000S176	000S911	00D1673	00D1941
5011360	5093138	6000241	6000369	8003404	9003051	9003437	9003674	9003876	000S376	000S912	00D1683	00D1944
5011362	5093152	6000244	6000370	8003407	9003059	9003464	9003677	9003877	000S519	000S913	00D1705	00D1948
5011366	5093156	6000257	6000373	8003426	9003060	9003472	9003678	9003879	000S539	000S914	00D1718	00D1952
5011369	5093162	6000260	6000374	8003453	9003061	9003474	9003680	9003882	000S549	000S915	00D1728	00D1956
5011370	5093163	6000264	6000375	8003503	9003063	9003479	9003682	9003883	000S553	000S916	00D1733	00D1960
5011371	5093164	6000265	6000376	8003504	9003064	9003482	9003689	9003885	000S554	000S917	00D1742	00D1965
5011380	5093165	6000266	6000377	8003520	9003071	9003483	9003692	9003888	000S558	000S918	00D1744	00D1968
5011394	5093166	6000267	6000383	8003543	9003073	9003484	9003693	9003889	000S594	000S920	00D1753	00D1973
5011395	5093167	6000270	6000384	8003560	9003075	9003488	9003699	9003891	000S610	000S922	00D1761	00D1983
5011396	5093168	6000271	6000385	8003562	9003077	9003494	9003701	9003892	000S614	000S923	00D1763	00D1993
5011397	5093169	6000273	6000386	8003588	9003080	9003496	9003705	9003896	000S658	000S924	00D1768	00D2090
5011401	5094003	6000274	6000387	8003609	9003081	9003503	9003706	9003900	000S659	000S926	00D1769	00D2103
5011403	5099070	6000277	6000389	8003612	9003083	9003504	9003708	9003901	000S664	000S927	00D1780	00D2114
5011405	5099080	6000280	6000397	8003625	9003087	9003506	9003715	9003905	000S666	000S928	00D1782	00D2116
5011406	5099081	6000282	6000398	8003637	9003093	9003508	9003716	9003906	000S679	000S929	00D1793	00D2117
5011407	5099082	6000283	6000399	8003640	9003103	9003509	9003725	9003908	000S683	000S931	00D1796	00D2145
5012021	5099105	6000284	6000400	8003661	9003110	9003510	9003733	9003914	000S688	000S932	00D1798	00D2147
5013018	5099107	6000285	6000401	8003710	9003112	9003511	9003734	9003919	000S689	000S933	00D1804	00D2149
5017045	5099110	6000286	6000405	8003718	9003115	9003514	9003735	9003921	000S692	000S934	00D1805	00D2150
5017046	5099111	6000293	6000410	8003722	9003130	9003517	9003738	9003922	000S695	000S935	00D1815	00D2151
5017048	5146064	6000294	6000412	8003740	9003135	9003518	9003739	9003923	000S703	000S936	00D1817	00D2154
5017050	5146065	6000296	6000418	8003748	9003137	9003519	9003741	9003928	000S704	000S938	00D1818	00D3055
5019008	5146067	6000297	6000425	8003780	9003138	9003520	9003742	9003929	000S800	000S939	00D1820	00D3056
5021026	5146073	6000298	6000438	8003792	9003139	9003523	9003744	9003930	000S804	000S940	00D1821	00D3065
5021027	5146075	6000299	6000440	8003799	9003147	9003527	9003746	9003934	000S824	000S941	00D1822	00D3066
5024028	5146076	6000300	6000443	8003802	9003162	9003531	9003747	9003936	000S826	000S942	00D1823	00D3067
5024031	5146080	6000301	6000463	8003813	9003165	9003532	9003748	9003937	000S828	000S943	00D1825	00D3068
5025040	5169038	6000302	6000464	8003831	9003182	9003538	9003752	9003938	000S829	000S944	00D1827	00D3070
5025045	5169046	6000304	6000529	8003836	9003185	9003542	9003757	9003939	000S832	000S945	00D1829	00D3073
5025054	5169049	6000305	6003881	8003837	9003188	9003544	9003768	9003941	000S837	000S946	00D1833	00D3075
5026012	5169050	6000307	6406001	8003838	9003202	9003546	9003769	9003942	000S839	000S947	00D1834	00D3076
5027009	5181048	6000310	6658004	8003844	9003204	9003555	9003773	9003948	000S841	000S953	00D1838	00D3079
5027010	5181050	6000311	6757005	8003851	9003205	9003557	9003774	9003949	000S845	000S954	00D1839	00D3082
5029013	5181051	6000312	6758002	8003854	9003209	9003558	9003777	9003951	000S851	000S955	00D1840	00D3083
5031007	5181052	6000313	6791004	8003856	9003211	9003559	9003779	9003952	000S855	000S956	00D1842	00D3084
5034017	5181054	6000315	7003351	8003857	9003217	9003560	9003780	9003955	000S856	000S957	00D1845	00D3086
5036023	5227055	6000316	7003765	8003867	9003227	9003572	9003781	9003963	000S860	000S958	00D1846	00D3088
5036028	5227056	6000317	7003767	8003894	9003228	9003577	9003782	9003964	000S861	000S959	00D1847	00D4085
5040008	5291018	6000321	7003768	8003904	9003229	9003579	9003788	9003968	000S862	000S967	00D1848	00D4098
5041018	5314001	6000323	7003868	8003909	9003230	9003581	9003789	9003975	000S863	000S974	00D1853	00D4106
5041019	5756004	6000324	7003885	8003922	9003231	9003583	9003790	9003976	000S866	000S980	00D1854	00D4115
5042019	5789006	6000325	7003949	8003927	9003232	9003587	9003794	9003977	000S868	000S981	00D1855	00D4116
5045009	5789008	6000326	7003964	8003933	9003233	9003588	9003796	9003980	000S870	000S982	00D1856	00D4117
5047009	6000051	6000327	7003985	8003938	9003241	9003590	9003799	9003983	000S871	000S985	00D1857	00D4118
5052027	6000059	6000328	7420001	8003939	9003243	9003595	9003800	9003984	000S873	000S986	00D1858	00D4119
5053006	6000114	6000334	7623001	8003940	9003247	9003596	9003801	9003985	000S874	000S987	00D1859	00D4120
5058028	6000130	6000335	7706004	8003950	9003251	9003598	9003802	9003986	000S875	000S988	00D1861	00D4121
5059104	6000133	6000336	7825005	8003963	9003258	9003603	9003806	9003987	000S876	000S989	00D1865	00D5097
5061014	6000135	6000337	7968001	8003964	9003260	9003614	9003807	9003994	000S877	000S990	00D1869	00D5098
5064016	6000156	6000339	7972006	8003965	9003262	9003615	9003811	9003996	000S878	000S991	00D1872	00D5099
5066013	6000166	6000341	8003032	8003971	9003263	9003619	9003815	9079009	000S879	000S992	00D1880	00D5100
5066016	6000172	6000344	8003038	8003979	9003266	9003620	9003816	9122008	000S880	000S994	00D1887	00D5101
5066017	6000181	6000345	8003042	8003993	9003267	9003626	9003817	9128005	000S882	000S995	00D1888	00D5104
5067016	6000191	6000346	8003043	8003994	9003274	9003627	9003820	9128010	000S883	000S996	00D1889	00D5109
5067018	6000193	6000348	8003050	8003995	9003275	9003628	9003824	9149003	000S885	000S997	00D1891	00D5110
5071013	6000197	6000349	8003051	8012012	9003284	9003629	9003827	9158001	000S890	000S998	00D1892	00D6079
5074088	6000201	6000350	8003060	8012013	9003294	9003631	9003828	9166002	000S894	000S999	00D1894	00D6084
5074090	6000205	6000351	8003095	8012014	9003295	9003632	9003829	9166019	000S896	000V002	00D1895	00D6086
5074091	6000206	6000352	8003111	8136002	9003297	9003633	9003831	9166020	000S899	000V004	00D1902	00D6089
5074092	6000209	6000353	8003121	8159001	9003298	9003634	9003835	9166021	000S901	000V010	00D1903	00D6090

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Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number				
00D6091	00D7064	00DC139		IL11036
00D6093	00D7067	00HB001		IL12001
00D6094	00D7069	00SP009		IL12004
00D6095	00D8110	00V0010		2007018
00D6097	00D8118	08IL026		2008009
00D6098	00D8127	09IL001		2008010
00D6100	00D8132	15ST001		2008011
00D6102	00D8138	D001672		2009005
00D6103	00D8141	D400114		2009006
00D6104	00D8145	IL05004		2009007
00D6106	00D8151	IL05009		2009009
00D6107	00D8153	IL05012		2009010
00D6111	00D8156	IL06016		2009012
00D6112	00D8162	IL07005		2011001
00D6113	00D8163	IL07022		2011005
00D6114	00D8164	IL07023		2011007
00D6115	00D8165	IL08030		2011013
00D6116	00D8166	IL08031		2011014
00D6117	00D8168	IL09021		2011015
00D7027	00D8171	IL09022		2011016
00D7035	00D8175	IL09024		2011017
00D7037	00D8179	IL09025		2011019
00D7041	00D8181	IL09028		2011021
00D7042	00D8186	IL09031		2011022
00D7043	00D9091	IL09032		2011026
00D7045	00D9094	IL09033		2011028
00D7046	00D9097	IL09034		2011029
00D7047	00D9098	IL09040		2011030
00D7048	00D9101	IL09044		2011032
00D7052	00D9102	IL09045		2012001
00D7053	00D9103	IL10001		2012002
00D7054	00D9105	IL10005		2012003
00D7055	00D9107	IL10101		2012005
00D7056	00D9113	IL10105		2012006
00D7057	00D9114	IL10106		2012007
00D7058	00D9115	IL11002		2013057
00D7059	00D9119	IL11003		
00D7062	00D9120	IL11005		
00D7063	00D9121	IL11025		

High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants Program (20.319/20.319ARRA):

Award Number			
FR-HSR-0015-11-01-00	FR-HSR-0015-11-01-01	FR-HSR-0015-11-01-02	FR-HSR-01113-12-01-00
FR-HSR-0052-11-01-00			

Surface Transportation Discretionary Grants for Capital Investment (20.932ARRA):

Award Number		
0020057	0020060	9003709

State Energy (81.041/81.041ARRA):

Award Number	
DE-EE0000119	DE-EE0006225

Weatherization Assistance for Low-Income Persons (81.042/81.042ARRA):

Award Number		
DE-EE0006151	DE-EE0000490	DE-EE0000125

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Table of Award Numbers
Year Ended June 30, 2015

Name of Federal Program or Cluster (CFDA #)

Title I, Part A Cluster (84.010):

Award Number			
S010A120013	S010A130013	S010A140013	

Special Education Cluster (84.027/84.173):

Award Number			
H027A120072	H027A130072	H027A140072	H173A120101
H173A130101	H173A140101		

Federal Family Education Loan Program (84.032G):

Award Number			
None			

Career and Technical Education (84.048):

Award Number		
V048A120013	V048A130013	V048A140013

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):

Award Number			
H126A130018	H126A140018-14B	H126A150018	H126A150018-15A

Twenty-First Century Community Learning Centers (84.287):

Award Number		
S287C120013	S287C130013	S287C140013

Improving Teacher Quality State Grants (84.367):

Award Number		
S367A120012	S367A130012	S367A140012

School Improvement Grants (84.377/84.388ARRA):

Award Number			
S377A090014	S377A100014	S377A110014	S377A120014
S377A130014	S388A090014		

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525):

Award Number	
HBEIE120116	HBEIE130158

Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA):

Award Number			
1402ILTANF	1502ILTANF	G-0901ILTAN2	G-1001ILTAN2

Child Support Enforcement (93.563):

Award Number		
05-1304IL4005	05-1404IL4005	05-1504ILCSES

Child Care Development Fund Cluster (93.575/93.596):

Award Number	
G1401ILCCDF	G1501ILCCDF

Child Welfare Services - State Grants (93.645):

Award Number	
G-1401ILCWSS	G-1501ILCWSS

Foster Care - Title IV-E (93.658/93.658ARRA):

Award Number	
1401IL1401	1501ILFOST

Adoption Assistance (93.659):

Award Number	
1401IL1407	1501ILADPT

Social Services Block Grant (93.667):

Award Number	
G1401ILSOSR	G1501ILSOSR

STATE OF ILLINOIS
 Schedule of Findings and Questioned Costs
 Table of Award Numbers
 Year Ended June 30, 2015

Name of Federal Program or Cluster (CFDA #)

Children's Health Insurance Program (93.767):

Award Number

05-1305IL5021	05-1405IL5021	05-1305ILCPBP
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Medicaid Cluster (93.775/93.777/93.778/93.778ARRA):

Award Number

05-1405IL5ADM	05-1505IL5ADM	05-1405ILIMPL	05-1505ILIMPL
05-1405ILINCT	05-1505ILINCT	05-1405IL5MAP	05-1505IL5MAP
05-1405ILBIPP	05-1505ILBIPP		

HIV Care Formula Grants (93.917):

Award Number

6X08HA28022-01-00	6X07HA00013-23-04	6X09HA26780-01-02
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Block Grants for Prevention and Treatment of Substance Abuse (93.959):

Award Number

3B08TI010018-13	3B08TI010018-14	3B08TI010018-15
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Social Security - Disability Insurance (96.001):

Award Number

1104ILD100	1204ILD100	1304ILD100	1404ILD100
1504ILD100			