

**STATE OF ILLINOIS**

Single Audit Report

For the Year Ended June 30, 2016

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 the Uniform Guidance

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

**TABLE OF CONTENTS**

	<b>Page(s)</b>
Summary	1
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	2-3
Schedule of Expenditures of Federal Awards	4-10
Notes to the Schedule of Expenditures of Federal Awards	11-20
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 <i>Government Auditing Standards</i>	21-22
Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance	23-27
Schedule of Findings and Questioned Costs:	
Summary of Auditors' Results	28-30
Current Findings – <i>Government Auditing Standards</i>	31-34
Current Findings – Federal:	
Summary	35-39
IL Department of Human Services	40-91
IL Department of Healthcare and Family Services	92-109
IL Department of Children and Family Services	110-135
IL Department of Public Health	136-144
IL Department of Insurance	145-149
IL Department on Aging	150-161
IL State Board of Education	162-179
IL Community College Board	180-185
IL Student Assistance Commission	186-192
IL Department of Employment Security	193-211
IL Department of Commerce and Economic Opportunity	212-213
IL Department of Transportation	214-221
Table of Award Numbers	222-228

**Other Reports Issued Applicable to the Single Audit:**

The Comprehensive Annual Financial Report of the State of Illinois for the year ended June 30, 2016 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, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

### Auditors' Reports

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

#### **Qualified (Noncompliance):**

- Supplemental Nutrition Assistance Program Cluster
- Unemployment Insurance
- 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
- Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
- Aging Cluster
- Temporary Assistance for Needy Families Cluster
- Foster Care – Title IV-E
- 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	73	75
Repeated audit findings	49	51
Prior findings implemented or not repeated	26	18



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## **Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016.

#### ***Management's Responsibility***

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the cash basis of accounting described in Note 1(c); this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance 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, 2016 in accordance with the cash basis of accounting described in Note 1(c).

### **Basis of Accounting**

We draw attention to Note 1(c) of the Schedule, which describes the basis of accounting. The Schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

As described in note 1(a) 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 the Uniform Guidance.

Also as described in note 1(a) 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 March 17, 2017 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.

[ (signed) KPMG LLP ]

Chicago, Illinois  
March 17, 2017

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Department of Agriculture</u></b>			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 229	\$ 133
Wildlife Services	10.028	10	-
Voluntary Public Access and Habitat Incentive Program	10.093	736	539
Market News	10.153	4	-
Market Protection and Promotion	10.163	69	-
Specialty Crop Block Grant Program - Farm Bill	10.170	373	317
Organic Certification Cost Share Programs	10.171	82	46
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	7,262	-
Cooperative Extension Service	10.500	32	-
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	* \$ 3,096,833	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	* 110,975	15,412
Total SNAP Cluster			3,207,808
Child Nutrition Cluster:			
School Breakfast Program	10.553	* \$ 140,418	140,038
National School Lunch Program	10.555	* 523,497	522,838
Special Milk Program for Children	10.556	* 2,071	2,071
Summer Food Service Program for Children	10.559	* 14,100	13,434
Total Child Nutrition Cluster			680,086
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	* 201,023	192,241
Child and Adult Care Food Program	10.558	* 150,941	149,617
State Administrative Expenses for Child Nutrition	10.560	8,381	-
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565	\$ 7,393	5,910
Emergency Food Assistance Program (Administrative Costs)	10.568	2,455	2,271
Emergency Food Assistance Program (Food Commodities)	10.569	26,105	26,105
Total Food Distribution Cluster			35,953
WIC Farmers' Market Nutrition Program (FMNP)	10.572	256	36
Team Nutrition Grants	10.574	193	37
Senior Farmers Market Nutrition Program	10.576	685	-
WIC Grants to States (WGS)	10.578	504	-
Child Nutrition Discretionary Grants Limited Availability	10.579	1,231	1,229
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	66	-
Fresh Fruit and Vegetable Program	10.582	4,534	4,534
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	513	-
Cooperative Forestry Assistance	10.664	632	-
Urban and Community Forestry Program	10.675	269	-
Forest Legacy Program	10.676	30	-
Forest Stewardship Program	10.678	760	-
Forest Health Protection	10.680	79	-
Soil and Water Conservation	10.902	298	-
<b>U.S. Department of Agriculture Total</b>		<b>\$ 4,303,039</b>	<b>\$ 1,076,808</b>
<b><u>U.S. Department of Commerce</u></b>			
Interjurisdictional Fisheries Act of 1986	11.407	\$ 2	\$ 2
Coastal Zone Management Administration Awards	11.419	2,694	1,448
State and Local Implementation Grant Program	11.549	516	362
<b>U.S. Department of Commerce Total</b>		<b>\$ 3,212</b>	<b>\$ 1,812</b>
<b><u>U.S. Department of Defense</u></b>			
Procurement Technical Assistance For Business Firms	12.002	\$ 623	\$ 462
Payments to States in Lieu of Real Estate Taxes	12.112	167	166
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	635	-
Military Construction, National Guard	12.400	29,127	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	18,284	-
National Guard ChalleNge Program	12.404	4,607	-
Troops to Teachers/Spouses to Teachers	12.XXX	142	-
<b>U.S. Department of Defense Total</b>		<b>\$ 53,585</b>	<b>\$ 628</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
CDBG - State-Administered Small Cities Program:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			
Beginning loan balance	14.228	* \$ 55,879	\$ -
Program expenditures	14.228	* 36,104	34,444
Total CDBG - State-Administered Small Cities Program			\$ 91,983
Emergency Solutions Grant Program	14.231	4,585	4,511
Housing Opportunities for Persons with AIDS	14.241	1,019	888
Continuum of Care Program	14.267	72	-
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	\$ 3,610	3,470
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			3,610
Fair Housing Assistance Program - State and Local	14.401	891	-
<b>U.S. Department of Housing and Urban Development Total</b>		<b>\$ 102,160</b>	<b>\$ 43,313</b>

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Department of Interior</u></b>			
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	\$ 3,243	\$ -
Abandoned Mine Land Reclamation (AMLR)	15.252	6,830	-
Fish and Wildlife Cluster:			
Sport Fish Restoration	15.605	\$ 3,741	1,124
Wildlife Restoration and Basic Hunter Education	15.611	7,237	1,174
Total Fish and Wildlife Cluster		10,978	
Fish and Wildlife Management Assistance	15.608	102	102
Cooperative Endangered Species Conservation Fund	15.615	21	4
Enhanced Hunter Education and Safety	15.626	262	-
Partners for Fish and Wildlife	15.631	28	-
State Wildlife Grants	15.634	378	250
Research Grants (Generic)	15.650	4	4
Endangered Species Conservation - Recovery Implementation Funds	15.657	5	5
Natural Resource Damage Assessment, Restoration and Implementation	15.658	6	-
Great Lakes Restoration	15.662	4,459	1,931
Historic Preservation Fund Grants-In-Aid	15.904	1,021	183
<b>U.S. Department of Interior Total</b>		<b>\$ 27,337</b>	<b>\$ 4,777</b>
<b><u>U.S. Department of Justice</u></b>			
Sexual Assault Services Formula Program	16.017	\$ 412	\$ 396
Juvenile Accountability Block Grants	16.523	1,180	1,075
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	329	250
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	1,373	1,147
Missing Children's Assistance	16.543	420	-
State Justice Statistics Program for Statistical Analysis Centers	16.550	40	-
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560	105	-
Crime Victim Assistance	16.575	16,841	14,950
Crime Victim Compensation	16.576	6,963	-
Crime Victim Assistance/Discretionary Grants	16.582	40	25
Violence Against Women Formula Grants	16.588	3,877	3,354
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	209	175
Residential Substance Abuse Treatment for State Prisoners	16.593	122	-
State Criminal Alien Assistance Program	16.606	3,995	-
Project Safe Neighborhoods	16.609	579	351
Public Safety Partnership and Community Policing Grants	16.710	361	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	8,678	6,009
DNA Backlog Reduction Program	16.741	2,993	27
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	425	79
Edward Byrne Memorial Competitive Grant Program	16.751	264	264
Harold Rogers Prescription Drug Monitoring Program	16.754	25	-
Program/Grant to State and Territories	16.803	(28)	-
Second Chance Act Reentry Initiative	16.812	381	87
John R. Justice Prosecutors and Defenders Incentive Act	16.816	79	-
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	172	172
Equitable Sharing Program	16.922	1,484	-
<b>U.S. Department of Justice Total</b>		<b>\$ 51,319</b>	<b>\$ 28,361</b>
<b><u>U.S. Department of Labor</u></b>			
Labor Force Statistics	17.002	\$ 2,553	\$ -
Compensation and Working Conditions	17.005	191	-
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	\$ 24,587	526
Disabled Veterans' Outreach Program (DVOP)	17.801	3,574	-
Local Veterans' Employment Representative Program	17.804	2,768	-
Total Employment Service Cluster		30,929	
Unemployment Insurance	17.225	* 2,018,581	-
Senior Community Service Employment Program	17.235	3,567	3,401
Trade Adjustment Assistance	17.245	6,321	4,575
Workforce Investment Act Cluster:			
WIA/WIOA Adult Program	17.258	\$ 38,084	36,064
WIA/WIOA Youth Activities	17.259	40,615	38,452
WIA/WIOA Dislocated Worker Formula Grants	17.278	57,787	51,088
Total Workforce Investment Act Cluster		136,486	
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	564	275
Work Opportunity Tax Credit Program (WOTC)	17.271	659	-
Temporary Labor Certification for Foreign Workers	17.273	293	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	4,247	4,132
Workforce Innovation Fund	17.283	1,923	1,048
Occupational Safety and Health - State Program	17.503	1,015	-
Consultation Agreements	17.504	1,832	-
Mine Health and Safety Grants	17.600	117	-
<b>U.S. Department of Labor Total</b>		<b>\$ 2,209,278</b>	<b>\$ 139,561</b>

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106 *	\$ 69,025	\$ 35,412
Highway Research and Development Program	20.200	29	-
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205 * \$	1,479,749	164,594
ARRA - Highway Planning and Construction	20.205 *	14	14
Recreational Trails Program	20.219 *	358	-
Total Highway Planning and Construction Cluster		1,480,121	
Highway Training and Education	20.215	32	15
Motor Carrier Safety Assistance	20.218	8,358	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	17,948	2,095
Performance and Registration Information Systems Management	20.231	47	-
Commercial Driver's License Program Improvement Grant	20.232	130	-
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants:			
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319 * \$	50,769	-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319 *	156,887	2,052
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		207,656	
Rail Line Relocation and Improvement	20.320	138	138
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500 \$	3,443	2,777
Bus and Bus Facilities Formula Program	20.526	1,161	-
Total Federal Transit Cluster		4,604	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	20,472	20,231
Formula Grants for Rural Areas:			
Formula Grants for Rural Areas	20.509 \$	13,078	11,979
ARRA - Formula Grants for Rural Areas	20.509	1,033	1,016
Total Formula Grants for Rural Areas		14,111	
Transit Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513 \$	8,215	-
Job Access and Reverse Commute Programs	20.516	264	264
New Freedom Program	20.521	345	330
Total Transit Services Programs Cluster		8,824	
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	30	30
Highway Safety Cluster:			
State and Community Highway Safety	20.600 \$	910	208
State Traffic Safety Information System Improvement Grants	20.610	325	13
Incentive Grant Program to Prohibit Racial Profiling	20.611	20	-
National Priority Safety Programs	20.616	2,499	205
Total Highway Safety Cluster		3,754	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	121	-
Pipeline Safety Program State Base Grant	20.700	2,298	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	1,140	934
PHMSA Pipeline Safety Program One Call Grant	20.721	16	-
ARRA - Surface Transportation Discretionary Grants for Capital Investment	20.932	4,408	327
National Infrastructure Investments	20.933	2,800	-
<b>U.S. Department of Transportation Total</b>		<b>\$ 1,846,062</b>	<b>\$ 242,634</b>
<b><u>U.S. Department of Treasury</u></b>			
Federal Asset Forfeiture	21.XXX	\$ 5	\$ -
<b>U.S. Department of Treasury Total</b>		<b>\$ 5</b>	<b>\$ -</b>
<b><u>Equal Employment Opportunity Commission</u></b>			
Equal Discrimination State and Local Fair Employment 30.EECN110078	30.XXX	\$ 1,605	-
<b>Equal Employment Opportunity Commission Total</b>		<b>\$ 1,605</b>	<b>\$ -</b>
<b><u>General Services Administration</u></b>			
Election Reform Payments	39.011	\$ 2	\$ -
<b>General Services Administration Total</b>		<b>\$ 2</b>	<b>\$ -</b>
<b><u>National Endowment for the Arts</u></b>			
Promotion of the Arts - Partnership Agreements	45.025	\$ 759	\$ 759
Grants to States	45.310	5,817	4,140
National Leadership Grants	45.312	51	-
Laura Bush 21st Century Librarian Program	45.313	98	91
<b>National Endowment for the Arts Total</b>		<b>\$ 6,725</b>	<b>\$ 4,990</b>
<b><u>U.S. Small Business Administration</u></b>			
Small Business Development Centers	59.037	\$ 4,364	\$ 2,810
State Trade Expansion	59.061	197	-
<b>U.S. Small Business Administration Total</b>		<b>\$ 4,561</b>	<b>\$ 2,810</b>
<b><u>U.S. Department of Veterans Affairs</u></b>			
Grants to States for Construction of State Home Facilities	64.005	\$ 1,643	\$ -
Veterans State Domiciliary Care	64.014	275	-
Veterans State Nursing Home Care	64.015	36,390	-
All-Volunteer Force Educational Assistance	64.124	1,497	-
<b>U.S. Department of Veterans Affairs Total</b>		<b>\$ 39,805</b>	<b>\$ -</b>

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
State Indoor Radon Grants	66.032	\$ 334	\$ 317
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	469	-
State Clean Diesel Grant Program	66.040	160	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	174	76
State Underground Water Source Protection	66.433	219	-
Water Quality Management Planning	66.454	569	471
Clean Water State Revolving Fund Cluster:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 126,231	126,128
Total Clean Water State Revolving Fund Cluster		126,231	
Nonpoint Source Implementation Grants	66.460	6,156	3,610
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 37,152	35,336
Total Drinking Water State Revolving Fund Cluster		37,152	
Great Lakes Program	66.469	1,087	534
Beach Monitoring and Notification Program Implementation Grants	66.472	305	168
Performance Partnership Grants	66.605	19,831	1,351
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	6	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	194	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	210	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	5,640	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	724	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	2,329	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	122	-
State and Tribal Response Program Grants	66.817	948	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	336	316
<b>U.S. Environmental Protection Agency Total</b>		<b>\$ 203,196</b>	<b>\$ 168,307</b>
<b><u>U.S. Department of Energy</u></b>			
State Energy Program:			
State Energy Program	81.041	\$ 1,326	\$ 651
ARRA - State Energy Program - beginning loan balance	81.041	1,500	-
Total State Energy Program		\$ 2,826	
Weatherization Assistance for Low-Income Persons	81.042	12,443	11,557
Transportation of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	34	-
State Energy Program Special Projects	81.119	202	200
<b>U.S. Department of Energy Total</b>		<b>\$ 15,505</b>	<b>\$ 12,408</b>
<b><u>U.S. Department of Education</u></b>			
Adult Education - Basic Grants to States	84.002	\$ 20,420	19,212
Title I Grants to Local Education Agencies	84.010	* 678,927	662,109
Migrant Education - State Grant Program	84.011	2,054	1,355
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	640	-
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	* \$ 495,382	483,859
Special Education - Preschool Grants	84.173	* 16,994	16,329
Total Special Education Cluster (IDEA)		512,376	
Federal Family Education Loans - (Guaranty Agencies) Program:			
Beginning loan balance	84.032	* \$ 4,559,890	-
Program expenditures	84.032	* 244,790	-
Total Federal Family Education Loans - (Guaranty Agencies) Program		4,804,680	
Career and Technical Education -- Basic Grants to States	84.048	* 37,311	21,878
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	* 99,897	-
Rehabilitation Services - Service Projects	84.128	14	-
Migrant Education - Coordination Program	84.144	51	24
Rehabilitation Services - Client Assistance Program	84.161	143	-
Independent Living - State Grants	84.169	(48)	-
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177	1,091	-
Special Education-Grants for Infants and Families	84.181	16,584	-
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	1	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	994	-
Education for Homeless Children and Youth	84.196	2,726	2,556
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	32	-
Charter Schools	84.282	92	-
Twenty-First Century Community Learning Centers	84.287	* 52,083	50,593
Special Education - State Personnel Development	84.323	1,851	1,661
Special Education - Personnel Developmental to Improve Services and Results for Children with Disabilities	84.325	33	33
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	386	386
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	2,639	2,639
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,199	41
Rural Education	84.358	1,363	1,313
English Language Acquisition State Grants	84.365	27,044	26,107
Mathematics and Science Partnerships	84.366	6,662	6,376
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	* 91,967	89,830

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Department of Education, continued</u></b>			
Grants for State Assessments and Related Activities	84.369	\$ 12,947	\$ -
Statewide Longitudinal Data Systems	84.372	110	-
Statewide Data Systems, Recovery Act	84.384	686	-
School Improvement Grants Cluster:			
School Improvement Grants	84.377	\$ 30,128	29,079
Total School Improvement Grants Cluster		30,128	
Race to the Top - Early Learning Challenge	84.412	16,386	126
Race to the Top	84.413	8,260	5,739
Preschool Development Grants	84.419	16,460	16,141
<b>U.S. Department of Education Total</b>		<b>\$ 6,448,189</b>	<b>\$ 1,437,386</b>
<b><u>National Archives and Records Administration</u></b>			
National Historical Publications and Records Grants	89.003	\$ 23	\$ 17
<b>National Archives and Records Administration Total</b>		<b>\$ 23</b>	<b>\$ 17</b>
<b><u>Election Assistance Commission</u></b>			
Help America Vote Act Requirements Payments	90.401	\$ 4	\$ -
<b>Election Assistance Commission Total</b>		<b>\$ 4</b>	<b>\$ -</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
State and Territorial and Technical Assistance Capacity Development			
Minority HIV/AIDS Demonstration Program	93.006	\$ 1	\$ -
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	201	200
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	523	519
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	799	618
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	* \$ 17,588	16,867
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	* 22,005	21,124
Nutrition Services Incentive Program	93.053	* 7,014	7,014
Total Aging Cluster		46,607	
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	3	-
Alzheimer's Disease Demonstration Grants to States	93.051	191	191
National Family Caregiver Support, Title III, Part E	93.052	5,546	5,546
Public Health Emergency Preparedness	93.069	2,866	-
Environmental Public Health Emergency Response	93.070	600	228
Medicare Enrollment Assistance Program	93.071	803	803
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	107	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	27,255	16,110
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	300	-
Guardianship Assistance	93.090	10,707	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	2,104	1,927
Well-Integrated Screening and Evaluation for Woman Across the Nation	93.094	644	283
Food and Drug Administration - Research	93.103	449	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1,327	927
Maternal and Child Health Federal Consolidated Programs	93.110	217	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,306	300
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	313	72
Injury Prevention and Control Research and State and Community Based Programs	93.136	1,841	1,450
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,425	2,425
Health Program for Toxic Substances and Disease Registry	93.161	(1)	-
Grants to States for Loan Repayment Program	93.165	788	-
Disabilities Prevention	93.184	323	25
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	133	-
Family Planning-Services	93.217	3,793	2,676
Research on Healthcare Costs, Quality and Outcomes	93.226	99	-
Consolidated Knowledge Development and Application (KD&A) Program	93.230	73	-
State Capacity Building	93.240	(131)	-
State Rural Hospital Flexibility Program	93.241	682	666
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	9,454	6,637
Immunization Cooperative Agreements	93.268	103,311	1,261
Adult Viral Hepatitis Prevention and Control	93.270	197	-
Substance Abuse and Mental Health Services-Access to Recovery	93.275	(31)	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	8,573	5,785
National Public Health Improvement Initiative	93.292	62	-
State Partnership Grant Program to Improve Minority Health	93.296	(5)	-
Teenage Pregnancy Prevention Program	93.297	281	281
Small Rural Hospital Improvement Grant Program	93.301	518	518
National State Based Tobacco Control Programs	93.305	1,159	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	179	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	1,266	190
State Health Insurance Assistance Program	93.324	1,315	520
Behavioral Risk Factor Surveillance System	93.336	242	-
ACL Independent Living State Grants	93.369	773	-

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b>U.S. Department of Health and Human Services, continued</b>			
ARRA - State Loan Repayment Program	93.402	\$ (2)	\$ -
Food Safety and Security Monitoring Project	93.448	3	-
ACL Assistive Technology	93.464	609	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505	8,250	7,567
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	6	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	537	-
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	177	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Put Putting Prevention to Work	93.520	(37)	-
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; PPHF	93.521	1,082	240
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525 *	28,279	11,682
PHHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	(28)	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	1,398	358
Promoting Safe and Stable Families	93.556	14,495	9,325
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families	93.558 *	\$ 539,209	126,834
ARRA Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714 *	9,263	8,216
Total Temporary Assistance for Needy Families Cluster		548,472	
Child Support Enforcement	93.563 *	102,982	5,416
Refugee and Entrant Assistance - State Administered Programs	93.566	6,811	3,423
Low-Income Home Energy Assistance	93.568	123,569	116,980
Community Services Block Grant	93.569	32,152	31,455
ARRA - Community Services Block Grant	93.710	(119)	(119)
Child Care Development Funds Cluster:			
Child Care and Development Block Grant	93.575 *	\$ 76,948	71,822
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596 *	94,357	94,010
Total Child Care Development Funds Cluster		171,305	
Refugee and Entrant Assistance - Discretionary Grants	93.576	718	718
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	1,143	1,143
State Court Improvement Program	93.586	712	438
Community-Based Child Abuse Prevention Grants	93.590	1,423	1,247
Grants to States for Access and Visitation Programs	93.597	54	42
Chafee Education and Training Vouchers Program (ETV)	93.599	1,762	-
Head Start	93.600	3,381	2,896
Voting Access for Individuals with Disabilities - Grants to States	93.617	10	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	855	-
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	158	158
Developmental Disabilities Basic Support and Advocacy Grants	93.630	2,688	1,536
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634	894	894
Children's Justice Grants to States	93.643	649	613
Stephanie Tubbs Jones Child Welfare Services Program	93.645	10,124	-
Child Welfare Research Training or Demonstration	93.648	1,520	1,317
Adoption Opportunities	93.652	274	215
Foster Care - Title IV-E	93.658 *	191,767	-
Adoption Assistance	93.659 *	81,012	-
Social Services Block Grant	93.667 *	64,899	42,455
Child Abuse and Neglect State Grants	93.669	940	849
Child Abuse and Neglect Discretionary Activities	93.670	159	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	3,046	3,046
Chafee Foster Care Independence Program	93.674	5,435	-
ARRA - Preventing Healthcare-Associated Infections	93.717	(38)	-
Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719	211	156
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	8	-
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	37	-
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	4	-
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	(34)	-
State Public Health Approaches for Ensuring Qiltline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735	965	965
PPHF: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by Prevention and Public Health Funds	93.744	(1)	-
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	1	-
PPHF Cooperative Agreements for Prescription Drug Monitoring Program			
Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748	142	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in part by Prevention and Public Health Funds	93.752	1,046	391

**THE STATE OF ILLINOIS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<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</u>
<b><u>U.S. Department of Health and Human Services, continued</u></b>			
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	524	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	1,557	1,002
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	3,312	530
Children's Health Insurance Program	93.767 *	395,328	-
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775 * \$	5,599	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777 *	36,858	-
Medical Assistance Program	93.778 *	10,922,423	51,307
ARRA - Medical Assistance Program	93.778 *	36,746	-
Total Medicaid Cluster		11,001,626	
Money Follows the Person Rebalancing Demonstration	93.791	7,715	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815	297	246
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	409	409
Section 223 Demonstration Program to Improve Community Mental Health Services	93.829	88	-
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	183	183
National Bioterrorism Hospital Preparedness Program	93.889	2	-
Grants to States for Operation of State Offices of Rural Health	93.913	177	-
HIV Care Formula Grants	93.917	42,954	8,686
Healthy Start Initiative	93.926	348	-
HIV Prevention Activities Health Department Based	93.940	5,148	3,057
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,063	127
Assistance Programs for Chronic Disease Prevention and Control	93.945	60	58
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	434	230
Block Grants for Community Mental Health Services	93.958	20,563	20,055
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	72,422	69,927
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	2,102	166
Preventive Health and Health Services Block Grant	93.991	2,146	-
Maternal and Child Health Services Block Grant to the States	93.994	23,788	21,229
<b>U.S. Department of Health and Human Services Total</b>		<b>\$ 13,238,339</b>	<b>\$ 818,663</b>
<b><u>Corporation for National and Community Service</u></b>			
State Commissions	94.003	\$ 187	\$ 74
AmeriCorps	94.006	8,183	8,178
Operation AmeriCorps	94.025	274	274
<b>Corporation for National and Community Service Total</b>		<b>\$ 8,644</b>	<b>\$ 8,526</b>
<b><u>Social Security Administration</u></b>			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001 * \$	82,055	-
Total Disability Insurance/SSI Cluster		\$ 82,055	
Social Security - Work Incentives Planning and Assistance Program	96.008	14	14
<b>Social Security Administration Total</b>		<b>\$ 82,069</b>	<b>\$ 14</b>
<b><u>U.S. Department of Homeland Security</u></b>			
State and Local Homeland Security National Training Program	97.005	\$ 88	\$ 88
Non-Profit Security Program	97.008	625	624
Boating Safety Financial Assistance	97.012	988	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	435	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,568	3,210
Hazard Mitigation Grant	97.039	16,648	16,648
National Dam Safety Program	97.041	189	-
Emergency Management Performance Grants	97.042	11,057	3,813
Cooperating Technical Partners	97.045	80	-
Pre-Disaster Mitigation	97.047	71	71
Interoperable Communications Equipment	97.055	(3)	-
Port Security Grant Program	97.056	116	-
Homeland Security Grant Program	97.067	86,032	81,801
Homeland Security Biowatch Program	97.091	988	-
<b>U.S. Department of Homeland Security Total</b>		<b>\$ 120,882</b>	<b>\$ 106,255</b>
<b>Total expenditures of federal awards</b>		<b>\$ 28,765,546</b>	<b>\$ 4,097,270</b>

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, 2016

#### (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, 2016. 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, 2016. Each of these entities is subject to separate audits in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

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, 2016. 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 the Uniform Guidance. 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, 2016

**(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.

**(d) Indirect Cost**

The State does not use the 10% de minimus indirect cost rate discussed in section 200.414 of the Uniform Guidance.

**(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.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

#### 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.

#### 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**

#### 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.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

#### **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. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

##### 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.

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

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

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 Loans 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.

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.

Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)  
(CFDA No. 84.367)

The objective of this program is to provide grants to State Educational Agencies (SEA) and local educational agencies (LEA) 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, and provide low-income minority students greater access to effective teachers, principals and other school leaders.

## STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

### **U.S. Department of Health and Human Services**

Aging Cluster: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044) / Special Programs for the Aging – Title III, Part C – Nutrition Services (CFDA No. 93.045) / Nutrition Services Incentive Program (NSIP) (CFDA No. 93.053)

The objective of the Special Programs for Aging – Title III, Part B – Grants for Supportive Services and Senior Centers program is to maximize the informal support provided to older Americans to enable them to remain in their homes and communities. Providing transportation services, in-home services, and other support services, this program insures that elders receive the services they need to remain independent.

The objective of the Special Programs for Aging – Title III, Part C – Nutrition Services program is to provide grants to States to support nutrition services including nutritious meals, nutrition education and other appropriate nutrition services for older adults in order to maintain health, independence and quality of life. Meals and nutrition services are to be served in a congregate setting or delivered to the home, if the older adult is homebound.

The objective of the Nutrition Services Incentive Program is to reward effective performance by States and Tribes in the efficient delivery of nutritious meals to older adults through the use of cash or USDA Foods.

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 (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.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

#### 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)

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, 2016

#### 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 (Title XVIII Medicare) (CFDA No. 93.777) / Medical Assistance Programs (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.

### **(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.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

- 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.
- 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.

**STATE OF ILLINOIS**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

**(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 Loans Program - Guaranty Agencies (CFDA No. 84.032G) were as follows:

	<b>July 1, 2015</b>	<b>June 30, 2016</b>
Original Principal Balance of Loans Guaranteed by ISAC	\$ 4,009,438,000	\$ 3,695,996,000
Outstanding Balance of Defaulted Loans held by ISAC	550,452,000	461,796,000
Total FFEL Loans	\$ 4,559,890,000	\$ 4,157,792,000

**(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.

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.

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

	<b>July 1, 2015</b>	<b>June 30, 2016</b>
Outstanding Balance of CDBG - State-Administered Small Cities Cluster Loans	\$ 55,879,000	\$ 50,385,000
Outstanding Balance of Clean Energy Trust / State Energy Program Loans held by DCEO	1,500,000	1,500,000
Total Loans	\$ 57,379,000	\$ 51,885,000



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

**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, 2016, and have issued our report thereon dated March 17, 2017.

Our report on the Schedule included an emphasis of matter paragraph describing the basis of accounting described in Note 1(c) of the Schedule.

As described in Note 1(a) 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Also as described in Note 1(a) 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 2016-001 through 2016-005, 2016-007, 2016-020, 2016-021, and 2016-025 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.

[ (signed) KPMG LLP ]

Chicago, Illinois  
March 17, 2017



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## **Independent Auditors' Report on Compliance for Each Major Federal 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 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, 2016. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). 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 federal statutes, regulations, terms and conditions of its federal awards 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 the Uniform Guidance. Those standards and the Uniform Guidance 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 we have 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.



**Basis for Qualified Opinions on Major Federal Programs**

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL Department of Human Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2016-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2016-002
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-002
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2016-003
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-003
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2016-004
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-004
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2016-005
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-005
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-005



<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility and Maintenance of Effort	2016-006
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles and Maintenance of Effort	2016-008
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2016-020
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2016-020
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-020
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-020
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-021
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-021
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2016-027
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2016-027
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-028
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2016-029
IL Department on Aging	Aging Cluster	Allowable Costs/Cost Principles, Matching, Maintenance of Effort, and Reporting	2016-043
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	2016-044
IL State Board of Education	Title I – Grants to Local Educational Agencies	Subrecipient Monitoring	2016-048
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2016-048



<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2016-048
IL State Board of Education	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Subrecipient Monitoring	2016-048
IL Community College Board	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	2016-055
IL Department of Employment Security	Unemployment Insurance	Special Tests & Provisions	2016-061

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 paragraph, 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 paragraph for the year ended June 30, 2016.

***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 identified in the summary of auditors’ results section of the accompanying scheduled of findings and questioned costs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-009 through 2016-016, 2016-018, 2016-019, 2016-022 through 2016-024, 2016-026, 2016-030 through 2016-034, 2016-036 through 2016-042, 2016-045 through 2016-047, 2016-049 through 2016-053, 2016-056 through 2016-060, 2016-062 through 2016-067, and 2016-069 through 2016-072. 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 the Uniform Guidance, 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 2016-002 through 2016-040, 2016-042 through 2016-053, and 2016-055 through 2016-073 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 2016-041 and 2016-054 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*(signed) KPMG LLP*

Chicago, Illinois  
March 17, 2017

# STATE OF ILLINOIS

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

### (1) Summary of Auditors' Results

- (a) The type of report issued by the Auditor General, State of Illinois, on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b)(1) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois:
- Material weaknesses: **Yes**
  - Significant deficiencies: **None reported**
- (b)(2) Internal control deficiencies over financial reporting disclosed by the audit of the schedule of expenditures of federal awards:
- Material weaknesses: **Yes**
  - Significant deficiencies: **None reported**
- (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) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **Yes**
  - Significant deficiencies: **Yes**
- (e) The type of report issued on compliance for major programs:
- Qualified (Noncompliance):**  
Supplemental Nutrition Assistance Program Cluster  
Unemployment Insurance  
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  
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)  
Aging Cluster  
Temporary Assistance for Needy Families Cluster  
Foster Care – Title IV-E  
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 in accordance with 2 CFR 200.516(a):  
**Yes**

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

(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. Unemployment Insurance (17.225)

#### **U.S. Department of Transportation**

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

#### **U.S. Department of Education**

10. Title I – Grants to Local Educational Agencies (84.010)
11. Special Education Cluster (IDEA) (84.027/84.173)
12. Federal Family Education Loan Program (84.032G)
13. Career and Technical Education – Basic Grants to States (84.048)
14. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
15. Twenty-First Century Community Learning Centers (84.287)
16. Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) (84.367)

#### **U.S. Department of Health and Human Services**

17. Aging Cluster (93.044/93.045/93.053)
18. State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525)
19. Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA)
20. Child Support Enforcement (93.563)
21. Child Care Development Funds Cluster (93.575/93.596)
22. Foster Care – Title IV-E (93.658)
23. Adoption Assistance (93.659)
24. Social Services Block Grant (93.667)
25. Children's Health Insurance Program (93.767)
26. Medicaid Cluster (93.775/93.777/93.778/93.778ARRA)
27. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

#### **U.S. Social Security Administration**

28. Social Security-Disability Insurance (96.001)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$43,148,319**
- (i) The State did not qualify as a low-risk auditee.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**(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, 2016 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*:**

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-001	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:

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2016-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2016-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2016-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material weakness
2016-007	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2016-020	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2016-021	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2016-025	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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

**Federal Agency:** All Federal Agencies

**Finding 2016-001** *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 there are 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 fourteen 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 or provided during the audit; (2) adjustments to accurately 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 2016-010), the Illinois Department of Public Health (Finding Code 2016-040), the Illinois Department on Aging (Finding Code 2016-047), the Illinois State Board of Education (Finding Code 2016-053), the Illinois Community College Board (Finding Code 2016-057), the Illinois

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Department of Employment Security (Finding Code 2016-069), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2016-070), and the Illinois Department of Transportation (Finding Code 2016-072). 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 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and must include the total amount provided to subrecipients for each Federal program.

Additionally, 2 CFR 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and the terms and conditions of the Federal award.

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 the Uniform Guidance and may result in the suspension of federal funding. (Finding Code 2016-001, 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)

#### **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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Office of the Governor's Response:**

The Office of the Governor concurs with the auditor's finding and recommendation. In August 2015, the Office of the Governor jointly with the Illinois Office of the State Comptroller (IOC) kicked off the implementation the multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials. The statewide blueprint for all financial processes, led by the ERP Program team which is part of the Department of Innovation & Technology, was developed jointly with a representation of Governor's agencies and the IOC. On October 1, 2016, three pilot agencies as well as the constitutional office of the IOC went live on the new ERP system. The current implementation schedule for the remaining approximately 50 state agencies has various implementations dates thru January 1, 2019. This operational ERP system will improve the State's control environment and processes to enable 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 it is expected that the 2016 SEFA audit will be submitted prior to the March 31st deadline, the Office agrees that the existing financial reporting systems need to be upgraded with a cost-effective statewide 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2016-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
2016-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2016-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material noncompliance and material weakness
2016-006	IL Department of Human Services	Improper TANF Cluster Beneficiary Payments	Material noncompliance and material weakness
2016-007	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2016-008	IL Department of Human Services	Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement	Material noncompliance and material weakness
2016-009	IL Department of Human Services	Inadequate Process for Monitoring Interagency Program Expenditures	Noncompliance and material weakness
2016-010	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-011	IL Department of Human Services	Inadequate Review of Single Audit Reports	Noncompliance and material weakness
2016-012	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2016-013	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2016-014	IL Department of Human Services	Failure to Communicate ARRA Information and Requirements to Subrecipients	Noncompliance and material weakness
2016-015	IL Department of Human Services	Failure to Determine Eligibility in Accordance with VR Program Regulations	Noncompliance and material weakness
2016-016	IL Department of Human Services	Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs	Noncompliance and material weakness
2016-017	IL Department of Human Services	Failure to Properly Maintain and Control Title XX Case Records	Material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-018	IL Department of Human Services	Failure to Monitor Child Care Provider Health and Safety Requirements	Noncompliance and material weakness
2016-019	IL Department of Human Services	Inaccurate Financial Report for the SNAP Cluster Program	Noncompliance and material weakness
2016-020	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2016-021	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2016-022	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries	Noncompliance and material weakness
2016-023	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2016-024	IL Department of Healthcare and Family Services	Failure to Complete Documentation of Medicaid Provider Audits on a Timely Basis	Noncompliance and material weakness
2016-025	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness
2016-026	IL Department of Healthcare and Family Services	Failure to Obtain Suspension and Debarment Certifications from Vendors	Noncompliance and material weakness
2016-027	Illinois Department of Children and Family Services	Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report	Material noncompliance and material weakness
2016-028	Illinois Department of Children and Family Services	Failure to Maintain Adequate Provider Licensing Files	Material noncompliance and material weakness
2016-029	Illinois Department of Children and Family Services	Failure to Properly Document and Execute Adoption Assistance Agreements	Material noncompliance and material weakness
2016-030	Illinois Department of Children and Family Services	Missing Documentation in Adoption Assistance Eligibility Files	Noncompliance and material weakness
2016-031	Illinois Department of Children and Family Services	Failure to Ensure Adoption Assistance Recertifications are Performed on a Timely Basis	Noncompliance and material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-032	Illinois Department of Children and Family Services	Failure to Ensure Required Judicial Determinations Were Made	Noncompliance and material weakness
2016-033	Illinois Department of Children and Family Services	Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement	Noncompliance and material weakness
2016-034	Illinois Department of Children and Family Services	Inadequate Process for Reconciling Cash Balances to IOC's Records	Noncompliance and material weakness
2016-035	Illinois Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness
2016-036	Illinois Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2016-037	IL Department of Public Health	Failure to Obtain and Review Subrecipient Single Audit Reports	Noncompliance and material weakness
2016-038	IL Department of Public Health	Failure to Investigate Provider Complaints within Required Timeframes	Noncompliance and material weakness
2016-039	IL Department of Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and material weakness
2016-040	IL Department of Public Health	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-041	IL Department of Insurance	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2016-042	IL Department of Insurance	Inaccurate ACA Exchanges Financial Reports	Noncompliance and material weakness
2016-043	IL Department on Aging	Inaccurate Certification of Maintenance of Effort (MOE) Expenditures	Material noncompliance and material weakness
2016-044	IL Department on Aging	Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of the Aging Cluster Program	Material noncompliance and material weakness
2016-045	IL Department on Aging	Failure to Obtain DUNS Numbers from and Communicate Award Information to Subrecipients	Noncompliance and material weakness
2016-046	IL Department on Aging	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-047	IL Department on Aging	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-048	Illinois State Board of Education	Failure to Follow On-Site Monitoring Plan for Subrecipients	Material noncompliance and material weakness
2016-049	Illinois State Board of Education	Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients	Noncompliance and material weakness
2016-050	Illinois State Board of Education	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2016-051	Illinois State Board of Education	Failure to Properly Account for USDA Donated Foods	Noncompliance and material weakness
2016-052	Illinois State Board of Education	Failure to Comply with ESEA Flexibility Waiver	Noncompliance and material weakness
2016-053	Illinois State Board of Education	Inadequate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-054	Illinois State Board of Education	Inadequate Controls over the Title I Program Special Report	Significant deficiency
2016-055	Illinois Community College Board	Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of the CTE Program	Material noncompliance and material weakness
2016-056	Illinois Community College Board	Failure to Obtain Subrecipient DUNS Numbers	Noncompliance and material weakness
2016-057	Illinois Community College Board	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-058	IL Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and material weakness
2016-059	IL Student Assistance Commission	Inadequate Process to Ensure Required Due Diligence Procedures are Performed	Noncompliance and material weakness
2016-060	IL Student Assistance Commission	Inadequate Process for Assignment of Defaulted Loans	Noncompliance and material weakness
2016-061	IL Department of Employment Security	Failure to Implement UI Program Integrity and Overpayment Reduction Requirements	Material noncompliance and material weakness
2016-062	IL Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Timeframes	Noncompliance and material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2016-063	IL Department of Employment Security	Inaccurate Calculation of Dependent Child Allowance Supplemental Benefits	Noncompliance and material weakness
2016-064	IL Department of Employment Security	Failure to Perform FUTA Match Certification within Required Timeframes	Noncompliance and material weakness
2016-065	IL Department of Employment Security	Inadequate Process for Preparing UI Financial Reports	Noncompliance and material weakness
2016-066	IL Department of Employment Security	Inaccurate Special Report for the UI Program	Noncompliance and material weakness
2016-067	IL Department of Employment Security	Inadequate Cash Management Procedures	Noncompliance and material weakness
2016-068	IL Department of Employment Security	Inadequate Controls over Information Systems	Material weakness
2016-069	IL Department of Employment Security	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2016-070	IL Department of Commerce and Economic Opportunity	Failure to Properly Record Federal Expenditures	Noncompliance and material weakness
2016-071	IL Department of Transportation	Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program	Noncompliance and material weakness
2016-072	IL Department of Transportation	Inaccurate Reporting of Federal Expenditure Information	Noncompliance and material weakness
2016-073	IL Department of Transportation	Inadequate Controls over Information Systems	Material weakness

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
93.558/93.714ARRA (\$548,472,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-002 – Failure to Establish Adequate Controls over the Integrated Eligibility System**

**Condition Found:**

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 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 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 were 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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. While IDHS and DHFS were aware of certain system issues and have established manual workarounds for certain known errors, formal procedures were not established to monitor and evaluate noncompliance resulting from the known systems errors during the year ended June 30, 2016.

Details of the beneficiary payments paid by the State during the year ended June 30, 2016 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

<b>Major Program</b>	<b>Total Beneficiary Payments in Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>Percentage</b>
SNAP Cluster	\$3,096,832,000	\$3,207,808,000	96.5%
TANF Cluster	54,806,000	548,472,000	10.0%
CHIP	372,052,000	395,328,000	94.1%
Medicaid Cluster	10,445,896,000	11,001,626,000	95.0%

**Criteria or Requirement:**

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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. 2 CFR 200.403 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 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

#### **Cause:**

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 changing while IES was being designed and built because the Federal Centers for Medicare and Medicaid Services continued issuing guidance and promulgating regulations.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-002. (Finding Code 2016-002, 2015-002)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDHS implement adequate general information technology control procedures for the IES system. We also 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.

#### **Views of IDHS Officials:**

The Department accepts the recommendation. Upon receiving the fiscal year 2015 eligibility related audit findings, DHFS and IDHS staff worked to resolve the system errors. The dataset exceptions were identified and the system errors with respect to social security numbers, citizenship, and residence were corrected late in fiscal year 2016. Errors identified in this audit about eligibility determinations related to social security numbers, citizenship, and residence occurred in the earlier months of fiscal year 2016 before the resolutions were in place. The Departments will also continue ongoing training of caseworkers to ensure they are properly trained to obtain and retain documentation in support of case eligibility determinations. The exceptions identified during testing of the sixty cases were attributable solely to caseworker error and were not the result of any type of errors or calculations attributable to IES.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
93.558/93.714ARRA (\$548,472,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-003 – Failure to Properly Maintain and Control Case File Records**

**Condition Found:**

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. Since its initial implementation, the use of IES has continued to expand. 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,

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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 three case records could not be located for our testing. We also selected 25 eligibility case records from an off-site storage facility and noted eight case records could not be located for our testing

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 and eight Medicaid case files (with medical payments sampled of \$275 and \$1,235, respectively) 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 and Medicaid Program were \$6,072 and \$237,081 during the year ended June 30, 2016.

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

<b>Major Program</b>	<b>Number of Cases Sampled</b>	<b>Total Amount of Payments for Cases Sampled</b>	<b>Total Beneficiary Payments in Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>
TANF Cluster	50	\$22,189	\$54,806,000	\$548,472,000
CHIP	65	16,443	372,052,000	395,328,000
Medicaid Cluster	125	30,334	10,445,896,000	11,001,626,000

As discussed above, we also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. As discussed in findings 2016-002 and 2016-020, several errors were identified in 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.

**Criteria or Requirement:**

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with IDHS officials, they stated case files could not be provided due 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.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-003. (Finding Code 2016-003, 2015-003, 2014-003, 2013-003, 12-03, 11-03, 10-04, 09-04, 08-04, 07-11)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDHS Officials:**

The Department accepts the recommendation. In order to relieve some of the space limitations, off-site 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$548,472,000)  
 93.767 (\$395,328,000)  
 93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-004 – Missing Documentation in Beneficiary Eligibility Files**

**Condition Found:**

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:

<b>Case Type</b>	<b>Number of Cases Tested</b>	<b>Total Amount of Payments for Cases Tested</b>	<b>Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>
TANF Cluster	50	\$22,189	\$54,806,000	\$548,472,000
CHIP	65	16,443	372,052,000	395,328,000
Medicaid Cluster	125	30,334	10,445,896,000	11,001,626,000

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 1 TANF Cluster, 13 CHIP, and 12 Medicaid Cluster cases (with payments sampled of \$14, \$1,670, and \$4,319, respectively), IDHS could not locate the initial case application or redetermination completed and signed by the beneficiary. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2016 totaled \$2,840. Medical payments made on behalf of these beneficiaries

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

during the year ended June 30, 2016 were \$17,039 and \$216,373 for the CHIP and Medicaid Cluster programs, respectively.

- In 2 TANF Cluster case files (with payments sampled of \$958), IDHS could not provide evidence that IDHS verified the beneficiary's date of birth. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2016 totaled \$6,254.
- In 5 CHIP and 1 Medicaid Cluster case files (with medical payments sampled of \$889 and \$88, 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 caseworkers at the time eligibility was determined/redetermined. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2016 were \$8,717 and \$781 for the CHIP and Medicaid Cluster programs, respectively.
- In 6 CHIP and 3 Medicaid Cluster case files (with medical payments sampled of \$997 and \$1,138, respectively), IDHS could not provide evidence that IDHS verified the beneficiary's social security number. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2016 were \$8,622 and \$23,979 for the CHIP and Medicaid Cluster programs, respectively.
- In 23 CHIP and 23 Medicaid Cluster case files (with medical payments sampled of \$3,215 and \$16,688, 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, 2016 were \$32,415 and \$327,747 for the CHIP and Medicaid Cluster programs, respectively.
- In 9 CHIP and 11 Medicaid case files (with medical payments sampled of \$1,430 and \$2,886, respectively), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2016 were \$14,345 and \$134,741 for the CHIP and Medicaid Cluster programs, respectively.
- In 2 Medicaid case files (with medical payments sampled of \$1,050), 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 during the year ended June 30, 2016 were \$23,198 for the Medicaid Cluster program.
- In 11 CHIP case files (with medical payments sampled of \$1,964), 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 during the year ended June 30, 2016 were \$11,808 for the CHIP program.
- In 3 Medicaid case files (with medical payments sampled of \$1,522), IDHS could not provide source documentation from IES for certain eligibility determinations performed for the beneficiaries. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2016 were \$34,786 for the Medicaid Cluster program.
- In 1 TANF Cluster Child Support Cooperation special test case, IDHS could not provide evidence that a Reconciliation Agreement had been completed for the beneficiary's case. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2016 totaled \$3,269.
- In 1 TANF Cluster Penalty for Refusal to Work special test case, IDHS could not provide evidence that IDHS verified the beneficiary's participation in program work activities. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2016 totaled \$3,066.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- In 8 TANF Cluster cases (with payments sampled of \$2,688), 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, 2016 totaled \$21,531.
- In 1 TANF Cluster case (with a payment sampled of \$999), 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, 2016 totaled \$3,178.

As discussed above, we also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. As discussed in findings 2016-002 and 2016-020, several errors were identified in 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.

#### **Criteria or Requirement:**

2 CFR 200.403 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 accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

#### **Cause:**

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

#### **Possible Asserted Effect:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-004. (Finding Code 2016-004, 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)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDHS Officials:**

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

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$548,472,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-005 – Failure to Perform Eligibility Redeterminations within Prescribed Timeframes**

**Condition Found:**

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 2016 are as follows:

<b>Program/Month</b>	<b>Number of Overdue Redeterminations</b>	<b>Total Number of Cases</b>	<b>Percentage of Overdue Cases</b>
<b>TANF Cluster</b>			
July	3,755	43,501	8.63%
August	3,489	42,337	8.24%
September	2,879	41,649	6.91%
October	2,325	40,781	5.70%
November	2,059	39,715	5.18%
December	1,809	39,415	4.59%
January	2,671	37,857	7.06%
February	3,094	36,912	8.38%
March	3,419	35,909	9.52%

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Program/Month</b>	<b>Number of Overdue Redeterminations</b>	<b>Total Number of Cases</b>	<b>Percentage of Overdue Cases</b>
<b>TANF Cluster, Ctd</b>			
April	3,443	34,658	9.93%
May	3,755	33,546	11.19%
June	3,650	32,849	11.11%
<b>CHIP</b>			
July	137,756	1,329,505	10.36%
August	135,188	1,320,724	10.24%
September	142,937	1,315,840	10.86%
October	152,149	1,315,403	11.57%
November	143,997	1,315,559	10.95%
December	150,353	1,313,924	11.44%
January	151,101	1,317,386	11.47%
February	155,556	1,320,674	11.78%
March	168,021	1,325,682	12.67%
April	159,941	1,331,845	12.01%
May	142,627	1,344,572	10.61%
June	133,612	1,343,607	9.94%
<b>Medicaid Cluster</b>			
July	39,961	476,777	8.38%
August	40,260	500,149	8.05%
September	41,727	478,882	8.71%
October	47,934	479,455	10.00%
November	46,315	479,579	9.66%
December	49,486	478,005	10.35%
January	54,116	477,753	11.33%
February	53,682	475,389	11.29%
March	56,106	474,665	11.82%
April	63,724	472,970	13.47%
May	63,831	472,216	13.52%
June	59,654	470,952	12.67%

During our testwork we noted redeterminations were not completed within required time frames for 7 TANF cluster cases, 29 CHIP cases, and 10 Medicaid cases (with payments sampled of \$2,409, \$5,292, and \$7,472, respectively). Delays in performing redeterminations ranged from 1 to 21 months after the required timeframe.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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

<b>Major Program</b>	<b>Number of Cases Sampled</b>	<b>Total Amount of Payments for Cases Sampled</b>	<b>Total Beneficiary Payments in Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>
TANF Cluster	50	\$22,189	\$54,806,000	\$548,472,000
CHIP	65	16,443	372,052,000	395,328,000
Medicaid Cluster	125	30,334	10,445,896,000	11,001,626,000

**Criteria or Requirement:**

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

**Cause:**

In discussing these conditions with IDHS officials, they stated the increasing number of overdue redeterminations was 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 their 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.

**Possible Asserted Effect:**

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.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-005. (Finding Code 2016-005, 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)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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.

**Views of IDHS Officials:**

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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$548,472,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** \$1,252

**Finding 2016-006 – Improper TANF Cluster Beneficiary Payments**

**Condition Found:**

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 11 beneficiaries received payments that were improperly calculated. As a result of the calculation errors, the monthly payments for 6 beneficiaries (with payments of \$2,480) were overstated in total by \$1,252 and the monthly payments for 5 beneficiaries (with payments of \$3,066) were understated in total by \$113. Total payments made to these beneficiaries under the TANF Cluster were \$27,856 for the year ended June 30, 2016. As of the date of our testing (January 20, 2017), the payment errors identified in our sample had not been corrected by IDHS.

Beneficiary payments selected in our sample totaled \$22,189. Payments made on behalf of beneficiaries of the TANF Cluster program totaled \$54,806,000 during the year ended June 30, 2016.

**Criteria or Requirement:**

2 CFR 200.403 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 accordance with the OMB Compliance Supplement, dated June 2016, 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

#### **Cause:**

In discussing these conditions with IDHS officials, they stated errors were made in the manual calculation of the initial prorated entitlement TANF payment and supportive services.

#### **Possible Asserted Effect:**

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-006. (Finding Code 2016-006, 2015-006, 2014-005, 2013-005, 12-05)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of IDHS Officials:**

The Department accepts 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
10.557 (\$201,023,000)  
84.126 (\$99,897,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)  
93.959 (\$72,422,000)  
96.001 (\$82,055,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

**Finding 2016-007 – Inadequate Controls over Information Systems**

**Condition Found:**

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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

- *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:

- IDHS could not provide all information necessary to test that user access was appropriately removed from the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications. Specifically, we noted: (1) user access termination forms were not consistently completed or retained by IDHS; (2) terminated users retained application access after their termination date; and (3) user IDs for terminated users were reassigned to new hires.
- User access reviews were not performed in accordance with established procedures by IDHS during the fiscal year to ensure user access rights were appropriate for the Concurrent, CCMS, CARS, 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.

#### **Criteria or Requirement:**

The A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

terms and conditions of the Federal award. 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.

#### **Cause:**

In discussing these conditions with IDHS officials, they stated CARS and Concurrent legacy systems are over 30 years old and are incapable of producing system generated change reports. RACF account reviews were untimely due to difficulties with the automated system report generation and response tracking system.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-018. (Finding Code 2016-007, 2015-018, 2014-013, 2013-014, 12-12)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDHS Officials:**

The Department 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 MIS Security personnel attend the training to provide additional instruction. RACF/LAN Coordinators will also be required to take 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 IES application. In addition, CARS is expected to be replaced with the Enterprise ERP solution. The CARS system will be replaced with newer technology once the ERP system has the functionality required.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$72,422,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-008 – Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement**

**Condition Found:**

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:

	<b>IDHS Actual Aggregate State Expenditures for State Fiscal Year June 30, 2016</b>	<b>MOE Requirement</b>	<b>Amount of Shortfall</b>
MOE expenditures	\$76,853,987	\$135,061,393	(\$58,207,406)

Additionally, during our testwork over 25 expenditures used by the State to meet the SAPT MOE requirements (totaling \$5,074,083), we noted IDHS could not provide detailed supporting documentation for 16 expenditures sampled (totaling \$2,664,147). Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort. Upon further review, we noted an additional \$41,307,973 for which detailed supporting documentation was not readily available.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

State funded expenditures used to meet the SAPT MOE requirement totaled \$73,931,593 for the year ended June 30, 2016.

#### **Criteria or Requirement:**

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.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

#### **Cause:**

In discussing these conditions with IDHS officials, they stated Darts system was not designed to archive detail payment information and adjustments.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-009. (Finding Code 2016-008, 2015-009, 2014-010)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Views of IDHS Officials:**

The Department accepts the recommendation. Effective July 1, 2016 (State fiscal year 2017), detail extracts are reconciled with Darts system billing summary reports on a monthly basis. Effective February 1, 2017, these detail reports are being reconciled monthly with DARTS Mobius year-to-date service reports.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$548,472,000)  
 93.575/93.596 (\$171,305,000)  
 93.667 (\$64,899,000)  
 93.959 (\$72,422,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-009 – Inadequate Process for Monitoring Interagency Program Expenditures**

**Condition Found:**

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, 2016, IDHS reported expenditures from other agencies that were claimed for reimbursement or used to meet maintenance of effort (MOE) requirements as follows:

<b>Program</b>	<b>Expending State Agency</b>	<b>Expenditures Claimed</b>	<b>Total Expenditures</b>
TANF	Department of Children and Family Services	\$278,314,000	\$548,472,000
TANF	Department of Healthcare and Family Services	2,134,000	548,472,000
TANF	Illinois Department of Revenue	53,090,000	548,472,000

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Program</b>	<b>Expending State Agency</b>	<b>Expenditures Claimed</b>	<b>Total Expenditures</b>
TANF	Illinois Student Assistance Commission	\$5,385,000	\$548,472,000
TANF (ARRA)	Department of Healthcare and Family Services	1,047,000	548,472,000
TANF MOE	Department of Healthcare and Family Services	7,163,000	640,783,000
TANF MOE	Illinois State Board of Education	44,354,000	640,783,000
Child Care	Department of Children and Family Services	333,536	171,305,000
Child Care MOE	Department of Children and Family Services	17,744,136	120,089,000
Title XX	Illinois Department of Public Health	4,717,000	64,899,000
SAPT	Illinois Department of Revenue	21,000	72,422,000
SAPT	Illinois Department of Public Health	108,000	72,422,000

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 or had not been updated recently by IDHS from the Department of Children and Family Services (Child Care and Child Care MOE), Illinois Department of Public Health (Title XX), or the Illinois Department of Revenue (SAPT).
- Quarterly certification reports were not collected from the Illinois Department of Public Health (SAPT) during the audit period.

**Criteria or Requirement:**

The A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure expenditures reported by the expending state agencies meet the applicable federal requirements.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

In discussing these conditions with IDHS officials, they stated the condition found was a result of inadequate monitoring procedures over interagency expenditures.

**Possible Asserted Effect:**

Failure to properly monitor interagency expenditures may result in claiming of expenditures that are inconsistent with the objectives of the federal program.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-007. (Finding Code 2016-009, 2015-007)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**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.

**Views of IDHS Officials:**

The Department accepts the recommendation. The current process for identifying and reporting interagency expenditures will be reviewed and IDHS will implement additional monitoring procedures to ensure that federal and state expenditures by other state agencies meet the applicable program regulations.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
10.557 (\$201,023,000)  
84.126 (\$99,897,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)  
93.959 (\$72,422,000)  
96.001 (\$82,055,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-010 – Inaccurate Reporting of Federal Expenditures**

**Condition Found:**

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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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, 2016:

<b>Program</b>	<b>Amounts per IDHS' Records</b>	<b>Amounts Initially Reported to the IOC</b>	<b>Difference</b>
SNAP Cluster	\$3,207,655,000	\$3,207,808,000	(\$153,000)
WIC	200,989,000	201,023,000	(34,000)
SAPT	72,551,000	72,422,000	129,000
SSDI	82,066,000	82,055,000	11,000

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

<b>Program</b>	<b>Amounts per IDHS' Records</b>	<b>Amounts Initially Reported to the IOC</b>	<b>Difference</b>
SNAP Cluster	\$15,407,000	\$15,412,000	(\$5,000)
WIC	192,241,000	111,718,000	80,523,000
Child Care Cluster	166,180,000	165,832,000	348,000
Title XX	37,738,000	34,431,000	3,307,000

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

- IDHS could not provide supporting documentation for expenditures of approximately \$1,976,000 identified as an adjustment to agree to the expenditure pattern related to the WIC program.
- IDHS could not provide supporting documentation for expenditures of approximately \$2,181,000 related to the SNAP Cluster program.
- IDHS could not provide supporting documentation for expenditures of approximately \$25,882,000 related to 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 \$10.7 million and \$426.3 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Criteria or Requirement:**

According to 2 CFR 200.510 (a) and (b), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

**Cause:**

In discussing these conditions with IDHS officials, they stated the federal expenditure differences noted were a result of adjustments necessary to ensure the correct federal receivable amounts were reported as of year-end.

**Possible Asserted Effect:**

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-008. (Finding Code 2016-010, 2015-008, 2014-006, 2013-006)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

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

**Views of IDHS Officials:**

The Department agrees with the recommendation. The Department will review the procedures to ensure federal expenditures are accurately reported

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
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 (\$201,023,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.959 (\$72,422,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

#### **Finding 2016-011 – Inadequate Review of Single Audit Reports**

##### **Condition Found:**

IDHS did not adequately review single audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), 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 a single 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 single audit reports.

During our review of a sample of 183 subrecipient single audit desk review files, we noted IDHS did not notify 31 subrecipients of the results of single 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:

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Desk Review Period</b>	<b>Number of Subrecipients</b>
180-210 days after receipt	7
210-240 days after receipt	9
240+ days after receipt	15

We also noted the single 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 (January 20, 2017) for 11 subrecipients.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2016 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>%</b>
WIC	\$192,241,000	\$201,023,000	95.6%
TANF Cluster	135,050,000	548,472,000	24.6%
Child Care Cluster	165,832,000	171,305,000	96.8%
Title XX	37,738,000	64,899,000	58.1%
SAPT	69,927,000	72,422,000	96.6%

**Criteria or Requirement:**

According to OMB Circular A-133 § \_\_\_\_.400(d)(3) and 2 CFR 200.331(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. Further, OMB Circular A-133 § \_\_\_\_.400(d)(5) and 2 CFR 200.331(d)(3) 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.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include implementing procedures and hiring adequate resources to ensure single audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

**Cause:**

In discussing these conditions with IDHS officials, they stated the change to a new Desk Review Vendor at the beginning of fiscal year 2016 and the need to add additional staff to the Office of Contract Administration (OCA) Desk Review Section resulted in significant delays in reviewing Single Audit Reports.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

Failure to obtain and review subrecipient single 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 single audit reports results in noncompliance with federal regulations.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-010. (Finding Code 2016-011, 2015-010, 2014-009, 2013-008, 12-06, 11-08)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDHS establish procedures to ensure: (1) subrecipient single 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 or the Uniform Guidance, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

#### **Views of IDHS Officials:**

The Department agrees with the recommendation. IDHS OCA will continue to review and revise the Single Audit Desk Review process to provide additional assurance that reports are obtained and reviewed within established deadlines and management decisions are issued for all findings and corrective action taken is timely and appropriate.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
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 (\$201,023,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.959 (\$72,422,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

#### **Finding 2016-012 – Failure to Follow Established Subrecipient Monitoring Procedures**

##### **Condition Found:**

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), 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 213 subrecipients of the WIC, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established monitoring procedures as follows:

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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

<b>Federal Program</b>	<b>Number of Late Communications</b>	<b>Number of Subrecipients Tested</b>	<b>Number of Days Late (Range)</b>
TANF Cluster	18	41	1-89
WIC	1	44	17
SAPT	3	44	24-71
Child Care	1	42	10

- 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:

<b>Federal Program</b>	<b>Number of Late CAPs</b>	<b>Number of Subrecipients Tested</b>	<b>Number of Days Late (Range)</b>
TANF Cluster	8	41	1-279
WIC	2	44	3-35
Title XX	3	42	18-40
Child Care	1	42	2
SAPT	1	44	3

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2016 in accordance with IDHS' planned monitoring schedule. Specifically, we noted the following exceptions:

<b>Federal Program</b>	<b>Number of Reviews Not Performed</b>	<b>Number of Subrecipients Tested</b>
Child Care	8	42
Title XX	1	42
TANF Cluster	6	41

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- 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:

<b>Federal Program</b>	<b>Number of Missing Notification Letters</b>	<b>Number of Subrecipients Tested</b>
TANF Cluster	1	41

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2016 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>%</b>
WIC	\$192,241,000	\$201,023,000	95.6%
TANF Cluster	135,050,000	548,472,000	24.6%
Child Care Cluster	165,832,000	171,305,000	96.8%
Title XX	37,738,000	64,899,000	58.1%
SAPT	69,927,000	72,422,000	96.6%

**Criteria or Requirement:**

According to OMB Circular A-133 § \_\_.400(d)(3) and 2 CFR 200.331(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. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring on-site procedures and expenditure reviews are performed in a timely manner and are designed to monitor fiscal controls.

**Cause:**

In discussing these conditions with IDHS officials, they stated delays in programmatic monitoring and documentation weaknesses were due to oversight.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Possible Asserted Effect:**

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.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-011. (Finding Code 2016-012, 2015-011, 2014-008, 2013-009, 12-07, 11-09)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**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.

**Views of IDHS Officials:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
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 (\$201,023,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.959 (\$72,422,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

#### **Finding 2016-013 – Failure to Communicate Award Information to Subrecipients**

##### **Condition Found:**

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), 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 2016 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 five TANF Cluster and one SAPT subrecipients tested. Upon further review, we noted a general State appropriation code was communicated in the original award document for these six 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 SAPT programs were \$537,044 and \$584,853 during the year ended June 30, 2016.

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

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

federal requirements applicable to the program under which the expenditures may ultimately be claimed by IDHS.

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:

<b>Major Program</b>	<b>Number of Subrecipients Sampled</b>	<b>Amounts Passed Through to Subrecipients Sampled</b>	<b>Total Subrecipient Payments in Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>
WIC	44	\$106,872,506	\$192,241,000	\$201,023,000
TANF Cluster	41	15,483,920	135,050,000	548,472,000
Child Care	42	92,909,007	165,832,000	171,305,000
Title XX	42	19,583,220	37,738,000	64,899,000
SAPT	44	53,027,185	69,927,000	72,422,000

**Criteria or Requirement:**

According to OMB Circular A-133 § \_\_.400(d)(1) and 2 CFR 200.331(a), 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 nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

**Cause:**

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.

**Possible Asserted Effect:**

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.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-012. (Finding Code 2016-013, 2015-012, 2014-007, 2013-007)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

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

**Views of IDHS Officials:**

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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$548,472,000)  
**Award Numbers:** Various – See table of award numbers  
**Federal Award Year:** Various – See table of award numbers  
**Questioned Costs:** None

**Finding 2016-014 – Failure to Communicate ARRA Information and Requirements to Subrecipients**

**Condition Found:**

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 \$1,492,345 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. During the audit period, IDHS sent a letter to the subrecipient identifying that the award was funded by ARRA and communicating the CFDA number; however, IDHS could not provide evidence that they had communicated any of the other requirements. IDHS passed through ARRA funds of approximately \$8,215,859 to one subrecipient of the TANF Cluster program during the year ended June 30, 2016.

**Criteria or Requirement:**

According to 2 CFR 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.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure the required ARRA information is communicated to subrecipients.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with IDHS officials, they stated the award information was not properly communicated due to oversight.

#### **Possible Asserted Effect:**

Failure to communicate required ARRA information could result in subrecipients not properly administering the federal programs in accordance with federal regulations.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-013. (Finding Code 2016-014, 2015-013)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of IDHS Officials:**

The Department agrees with the recommendation. The Department will review and implement procedures to ensure that all award information and requirements are properly communicated in writing to its subrecipients.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$99,897,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

#### **Finding 2016-015 – Failure to Determine Eligibility in Accordance with VR Program Regulations**

##### **Condition Found:**

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 80 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 four 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, 2016 were \$20,064. The payments selected in our sample for these beneficiaries were \$3,980.
- For three cases, IDHS did not complete the IPE within 90 days after eligibility was determined. Payments made on behalf of these beneficiaries during the year ended June 30, 2016 were \$1,070. The payments selected in our sample for these beneficiaries were \$440.

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 \$31,475,000 during the year ended June 30, 2016.

##### **Criteria or Requirement:**

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments and 2 CFR 200.203 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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

The Administrative Code, Title 89, Chapter IV, Subchapter B, Section 572.110, states an IPE shall be reviewed whenever necessary, but at least annually. Section 572.50(d) states the IPE must be developed as soon as possible, but no later than 90 days after the customer is determined eligible for the VR program.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

#### **Cause:**

In discussing these conditions with IDHS officials, they stated the deficiencies noted were due to human error and competing priorities.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-014. (Finding Code 2016-015, 2015-014, 2014-014, 2013-010, 12-08, 11-11)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDHS Officials:**

The Department agrees with the recommendation. We will continue to review our processes to identify any additional improvements that can be made to ensure eligibility determinations are made and documented in accordance with program regulations.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
10.557 (\$201,023,000)  
84.126 (\$99,897,000)  
93.558/93.714ARRA (\$548,472,000)  
93.575/93.596 (\$171,305,000)  
93.667 (\$64,899,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)  
93.959 (\$72,422,000)  
96.001 (\$82,055,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** \$173

**Finding 2016-016 – Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs**

**Condition Found:**

IDHS did not identify that fringe benefit rates had not been updated prior to allocating costs 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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

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. Fringe benefit expenditures for each employee are calculated utilizing rates approved annually by the Department of Central Management Services (DCMS).

During our review of 137 employee payroll and fringe benefit charges (totaling \$453,728) allocated to IDHS' federal programs during the year ended June 30, 2016, we noted fringe benefits charged were not consistent with rates approved by DCMS. Specifically, we noted the following errors:

- The life insurance fringe benefit charges for six employees were greater than the approved rates established by DCMS. Specifically, we noted the approved rate was \$9.59 and the rate allocated was \$11.36 which resulted in excess costs of \$255 being allocated for the six employees samples. Upon further review, we noted the life insurance fringe benefit charges for 945 transactions were greater than the approved rates established by DCMS resulting in overcharges of \$1,672. Accordingly, the Block Grants for Prevention and Treatment of Substance Abuse (SAPT), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Cluster, Child Care Development Funds (Child Care) Cluster, and Social Services Block Grant (Title XX) programs were overcharged by \$22, \$105, \$43, and \$3, respectively, during the year ended June 30, 2016.
- The medical insurance fringe benefit charges for five employees were less than the approved rates established by DCMS. Specifically, we noted the approved rates were \$9.98, \$18.98, and \$37.96 and the rates allocated were \$10.95, \$21.70, and \$40.31, respectively, which resulted in costs of \$28 not being allocated for the five employees sampled. Upon further review, we noted the medical insurance fringe benefit charges for 32,567 transactions were less than the approved rates established by DCMS resulting in undercharges of \$60,009. Accordingly, 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), and Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) were undercharged by \$10, \$1, \$1, \$1, \$1, \$1, and \$5, respectively, during the year ended June 30, 2016.

Additionally, we noted IDHS did not have adequate procedures in place to verify the rates allocated through the PACAP were accurate and consistent with the approved DCMS rates.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Total personal services (payroll and fringe benefits) costs allocated through the PACAP for the programs listed above for the year ended June 30, 2016 were \$311,267,202. The amounts by programs are as follows:

<b>Program</b>	<b>Amount</b>
SNAP	\$155,762,430
WIC	3,996,829
VR	53,363,312
TANF Cluster	33,768,593
Child Care	4,800,518
Title XX	1,409,904
SAPT	4,298,855
SSDI	53,866,761
<b>Total</b>	<b>\$311,267,202</b>

**Criteria or Requirement:**

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits . In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure approved fringe benefits are charged.

**Cause:**

In discussing these conditions with IDHS officials, they stated a programming error resulted in the discrepancies noted.

**Possible Asserted Effect:**

Failure to charge approved fringe benefit amounts may result in the unallowable costs being charged to federal programs.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-016)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Recommendation:**

We recommend IDHS implement procedures to ensure fringe rates in the payroll system, which are subsequently allocated through the PACAP, are consistent with those approved by DCMS.

**Views of IDHS Officials:**

The Department accepts the recommendation. DHS Bureau of Payroll will work with DHS Management Information Services (MIS) to put controls in place to ensure the accuracy of data entered on the tables.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department of Human Services (IDHS)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Social Services Block Grant  
**CFDA # and Program Expenditures:** 93.667 (\$64,899,000)  
**Award Numbers:** Various – See table of award numbers  
**Federal Award Year:** Various – See table of award numbers  
**Questioned Costs:** None

**Finding 2016-017 – Failure to Properly Maintain and Control Title XX Case Records**

**Condition Found:**

IDHS does not have appropriate controls over case records for beneficiaries of the Social Services Block Grant (Title XX) program.

During our testwork of 25 Title XX program beneficiary payments (totaling \$22,406), IDHS was initially unable to provide supporting case records for three beneficiaries with sampled payments totaling \$270. At the time our sample was selected and documentation was provided by IDHS for audit (October 2016), these three case records were identified by IDHS as having been lost. In January 2017, IDHS located the files and provided them for audit; however, we noted IDHS does not have a formal system in place for controlling and maintaining Title XX beneficiary case records and could not explain how the files had been misplaced and subsequently located.

Payments made on behalf of beneficiaries of the Title XX program totaled \$20,483,000 during the year ended June 30, 2016.

**Criteria or Requirement:**

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. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary payments and related documentation.

**Cause:**

In discussing these conditions with IDHS officials, they stated the missing vouchers were associated with older cases that had been closed.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Possible Asserted Effect:**

Failure to maintain adequate supporting documentation to support beneficiary payments results in unallowable costs and noncompliance with program requirements.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-017)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend IDHS review its process for maintaining documentation for beneficiary payments.

**Views of IDHS Officials:**

The Department agrees with the recommendation. The Division of Rehabilitation Services (DRS) will review how cases and the documentation associated with them are stored.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department of Human Services (IDHS)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Child Care Development Fund Cluster  
**CFDA # and Program Expenditures:** 93.575/93.596 (\$171,305,000)  
**Award Numbers:** Various – See schedule of award numbers  
**Federal Award Year:** Various – See schedule of award numbers  
**Questioned Costs:** None

**Finding 2016-018 – Failure to Monitor Child Care Provider Health and Safety Requirements**

**Condition Found:**

IDHS did not perform monitoring reviews of health and safety requirements for providers of the Child Care Development Fund (Child Care) Cluster program.

As a condition of receiving Child Care program funding, IDHS is required to certify that procedures are in place to ensure child care providers comply with all applicable health and safety requirements. Such requirements include prevention and control of infectious disease, building and physical premises safety, and basic health and safety training for providers. IDHS' procedures require health and safety monitoring reviews to be performed on an annual basis. During our review of 50 providers who received child care funding, we noted a health and safety monitoring review was not performed for one provider sampled during the year ended June 30, 2016.

IDHS has not established monitoring or other control activities to ensure health and safety monitoring reviews are performed for all child care providers as required by State and Federal law. Additionally, as of the date of our testing (January 20, 2017), IDHS has not evaluated the population of providers to determine if there are other providers for which reviews were not performed.

**Criteria or Requirement:**

According to 45 CFR 98.41, the State is required to certify that there are monitoring and enforcement requirements designed to protect the health and safety of children that apply to child care providers receiving federal funding.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure child care providers are monitored for health and safety requirements as required under State and federal law.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with IDHS officials, they stated staffing changes at the Illinois Department of Children and Family Services (DCFS) and untimely reassignment of monitoring tasks contributed to the weakness.

#### **Possible Asserted Effect:**

Failure to monitor compliance with State health and safety requirements results in noncompliance with federal regulations.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-018)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDHS review its process for monitoring child care provider compliance with State health and safety requirements and implement the changes necessary to ensure required monitoring is performed.

#### **Views of IDHS Officials:**

The Department accepts the recommendation. Administrative Code, Title 89, Chapter III, Subchapter D, Part 383, states that monitoring visits for child care institutions shall be conducted annually by a DCFS licensing representative. Although IDHS, as the Child Care lead agency, is not responsible for executing monitoring visits to licensed child care centers, the Department does assume responsibility for ensuring child care providers are monitored for compliance with health and safety requirements. The auditors tested IDHS for the proper health and safety monitoring of 25 child care facilities. Seven of the tested facilities were license exempt facilities, for which DHS is responsible for obtaining the self-certification form from the provider, which covers the health and safety issue. IDHS was able to obtain all 7 self-certification forms. The remaining 18 selections were state licensed providers, for which DCFS is responsible for the health and safety monitoring. We obtained the proper health and safety monitoring documents from DCFS for 17 of the 18 selections. According to DCFS, the required health and safety review was not performed timely for one of the selections, although it was subsequently done.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
**Award Numbers:** Various – See schedule of award numbers  
**Federal Award Year:** Various – See schedule of award numbers  
**Questioned Costs:** None

#### **Finding 2016-019 – Inaccurate Financial Report for the SNAP Cluster Program**

##### **Condition Found:**

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, 2015, we noted the report first submitted on December 29, 2015 was provided to us for audit and contained several errors. Upon further review and discussion with IDHS personnel, we noted the report was revised and resubmitted five separate times with updated amounts for certain line items on the report. These resubmissions were necessary due to errors that were not detected by IDHS' internal control procedures prior to submission to USDA. The final report corrections were submitted on July 13, 2016.

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

##### **Criteria or Requirement:**

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, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure expenditures are accurately reported in the federal financial closeout report.

##### **Cause:**

In discussing these conditions with IDHS officials, they stated some expenditures were reflected incorrectly when the final expenditure report was filed.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

Failure to accurately prepare financial reports prevents the USDA from effectively monitoring the Supplemental Nutrition Assistance Program.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-016. (Finding Code 2016-019, 2015-016)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDHS Officials:**

The Department accepts the recommendation. The process and procedures to prepare financial reports required for the Supplemental Nutrition Assistance Program cluster will be reviewed and necessary steps will be added to ensure the financial reports are accurate. The federal grant manager was aware of and approved the requested revisions prior to submission of financial reports. Federal Regulations allow financial reports to be changed up to two years after the close of a grant.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$3,207,808,000)  
93.558/93.714ARRA (\$548,472,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-020 – Failure to Establish Adequate Controls over the Integrated Eligibility System**

#### **Condition Found:**

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 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 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 were 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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. While IDHS and DHFS were aware of certain system issues and have established manual workarounds for certain known errors, formal procedures were not established to monitor and evaluate noncompliance resulting from the known systems errors during the year ended June 30, 2016.

Details of the beneficiary payments paid by the State during the year ended June 30, 2016 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

<b>Major Program</b>	<b>Total Beneficiary Payments in Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>Percentage</b>
SNAP Cluster	\$3,096,832,000	\$3,207,808,000	96.5%
TANF Cluster	54,806,000	548,472,000	10.0%
CHIP	372,052,000	395,328,000	94.1%
Medicaid Cluster	10,445,896,000	11,001,626,000	95.0%

**Criteria or Requirement:**

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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. 2 CFR 200.403 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 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

#### **Cause:**

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.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-019. (Finding Code 2016-020, 2015-019)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend DHFS implement adequate general information technology control procedures for the IES system. We also 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.

#### **Views of DHFS Officials:**

The Department accepts the recommendation. Upon receiving the fiscal year 2015 eligibility related audit findings, DHFS and IDHS staff worked to resolve the system errors. The dataset exceptions were identified and the system errors with respect to social security numbers, citizenship, and residence were corrected late in fiscal year 2016. Errors identified in this audit concerning eligibility determinations related to social security numbers, citizenship, and residence occurred in the earlier months of fiscal year 2016 before the resolutions were in place. The Departments will continue ongoing training of caseworkers to ensure they are properly trained to obtain and retain documentation in support of case eligibility determinations. The exceptions identified during testing of the sixty cases were attributable solely to caseworker error and were not the result of any type of errors or calculations attributable to IES.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-021 – Missing Documentation in Beneficiary Eligibility Files**

**Condition Found:**

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:

<b>Case Type</b>	<b>Number of Cases Tested</b>	<b>Total Amount of Payments for Cases Tested</b>	<b>Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2016</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>
CHIP	65	\$16,443	\$372,052,000	\$395,328,000
Medicaid Cluster	125	30,334	10,445,896,000	11,001,626,000

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 for one CHIP case file (with a medical payment sampled of \$98), DHFS could not locate documentation supporting the completion of the initial eligibility determination or subsequent redetermination procedures. Missing documentation includes paystubs, redetermination applications, and verification cross-matches. Medical payments made on behalf of this beneficiary for the CHIP program were \$1,136 during the year ended June 30, 2016.

Additionally, we noted the State implemented the Integrated Eligibility System (IES) on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. As discussed in findings 2016-002 and 2016-020, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

#### **Criteria or Requirement:**

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated June 2016, 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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal 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.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated the case was transferred to another State agency and cannot be located for testing.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-020. (Finding Code 2016-021, 2015-020, 2014-018)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Views of DHFS Officials:**

The Department accepts the recommendation. The Department 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. As noted in the finding, the sample was not intended to be and was not statistically valid. While the Department will work with DHS to ensure all eligibility determination documentation is properly maintained it believes that the majority of case files do include proper documentation.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

**Finding 2016-022 – Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries**

#### **Condition Found:**

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. Additionally, we noted DHFS obtains an annual summary of the results of recipient verification procedures performed by managed care organizations. DHFS does not perform any verification procedures for services billed by the following fee for service provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- 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 \$52,408,000 during the year ended June 30, 2016. Payments made to managed care organizations totaled \$4,841,439,000 during the year ended June 30, 2016. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled \$10,445,896,000, during the year ended June 30, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Criteria or Requirement:**

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify with recipients whether services billed by providers were received.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated they respectfully disagree with the finding.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-022. (Finding Code 2016-022, 2015-022, 2014-020, 2013-017, 12-19, 11-23, 10-20)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of DHFS Officials:**

The Department respectfully disagrees with this recommendation because it believes the Department is in compliance with the regulation. The Department has a method for verifying with recipients whether services were billed. Approximately 65% of the Medicaid recipients and 45% of the federal expenditures are within managed care. Managed Care Organizations, acting on the Department's behalf, send recipient verifications to recipients that have received services from various provider types. While the Department does not send verifications to recipients of services of the same provider types the managed care organizations send, the Department focuses its efforts on high risk fee for service providers. The Department believes the combined effort is in compliance with the federal regulation to have a method of verification. The Federal Medicaid Program Integrity auditors review compliance with this regulation every three years. While, the Federal auditors found the Department out of compliance in previous years, the Federal auditors did not find the Department out of compliance with this regulation in the most recent program integrity reviews issued in 2012 and 2015.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Auditors' Comment:**

As discussed in the finding above, the State must have a method for verifying with recipients whether services billed by providers were received. We do not believe the federal regulations permit the State to exclude more than 50% of the Medicaid expenditures from these verification procedures.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$11,001,626,000)  
**Award Numbers:** Various – See schedule of award numbers  
**Federal Award Year:** Various – See schedule of award numbers  
**Questioned Costs:** None

**Finding 2016-023 – Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers**

#### **Condition Found:**

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 28 providers.

During our review of monitoring procedures performed by DHFS and its service providers for 5 provider reviews sampled, 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.

#### **Criteria or Requirement:**

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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated the Department's procedures were not established by the Bureau of Quality Management until September 2015. In addition, full implementation of the remediation process of monitoring agencies was prevented due to travel budget restrictions and staff shortages.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-023. (Finding Code 2016-023, 2015-023, 2014-021, 2013-019, 12-25)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of DHFS Officials:**

The Department accepts the recommendation. The Department established procedures for monitoring the performance of operating agencies for Home and Community Based Waivers in September 2015. Remediation verifications are conducted while providing oversight of vendor performance of on-site and comprehensive provider reviews at an operating agency to maximize staff productivity and travel dollars.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

**Finding 2016-024 – Failure to Complete Documentation of Medicaid Provider Audits on a Timely Basis**

**Condition Found:**

DHFS did not document Medicaid provider audits performed as part of the Medicaid Integrity Program on a timely basis.

The DHFS Office of Inspector General (OIG) conducts several types of audits and reviews of healthcare providers to monitor the integrity of payments made to providers of the Medicaid Cluster program. Specifically, the OIG performs post-payment compliance audits to identify improper payments made to providers and quality of care reviews to assess whether healthcare providers are giving proper care and services to Medicaid beneficiaries. These audits may lead to sanctions against providers, recoveries of overpayments from providers, and/or criminal prosecution of providers. The OIG reports the results of these audits, as well as its other activities, to the Center for Medicare and Medicaid Services on an annual basis.

During our testwork over 40 Medicaid provider audits completed during the year ended June 30, 2016, we noted four audits in which the audit program guide was not completed and signed-off on until after the final audit determination letter had been issued to the provider. The audit program guide documents the objectives of the audit, the audit procedures planned to be performed, and the results/conclusions reached. Completing and signing-off the audit program procedures provides DHFS with evidence of the procedures performed and results obtained. Delays in finalizing the audit program guides ranged from 8 to 87 days after the final audit determination letters had been issued.

**Criteria or Requirement:**

According to 42 CFR 455.17, the OIG is required to report on the results of its activities and investigations periodically. The OIG has a responsibility to investigate violations of the applicable laws, follow up on complaints, and perform provider audits.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure provider analysis and audit documentation are completed prior to issuing a final audit determination.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated the exceptions noted were due to staff oversight.

#### **Possible Asserted Effect:**

Failure to adequately document provider audits may result in federal funds being expended for unallowable purposes and may prevent the State from adequately monitoring payments to providers.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-024)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend DHFS evaluate their procedures to ensure provider audits are fully complete prior to issuing a final audit determination.

#### **Views of DHFS Officials:**

The Department accepts the recommendation. The Department will implement audit protocols within the Audit Compliance Plan to ensure all work-papers are completed and signed-off prior to audit issuance. While the Department agrees that it is extremely important to ensure that provider audits are fully complete prior to issuing a final audit determination it believes that the majority of provider audits are complete before it issues a final audit determination.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$102,982,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

**Finding 2016-025 – Inadequate Controls over Information Systems**

#### **Condition Found:**

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 the following:

- One newly hired employee (out of 25 tested) did not obtain proper approval prior to being granted access to information systems.
- Seventeen terminated users still appeared in the active user listing for KIDS, eleven terminated users still appeared in the active user listing for MMIS, and one terminated user still appeared in the active user listing for PAAS. There were 245 terminated users during the year ended June 30, 2016.
- Thirteen terminated employees (out of 25 tested) did not have their user access removed timely. DHFS policy requires user access to be removed from information systems by the 25<sup>th</sup> day of the month following the employee's termination date.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- Eight individuals (out of 25 tested) did not have evidence that annual user access reviews were performed during the year ended June 30, 2016. 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 testwork over changes made to the Key Information Delivery System, we also noted DHFS was not able to generate a list of changes made to the Key Information Delivery System. DHFS' current procedures include tracking changes made to the Key Information Delivery System 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 DHFS from the database during our audit was complete.

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.

#### **Criteria or Requirement:**

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated the Department relied on the annual employee evaluation process to review appropriate staff system access; however, annual reviews are not always performed timely.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-026. (Finding Code 2016-025, 2015-026)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Recommendation:**

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

**Views of DHFS Officials:**

The Department accepts the recommendation. The access control process and procedures currently in place for DHFS are being reviewed and revised to accommodate the changing information technology structure in Illinois.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$102,982,000)  
93.767 (\$395,328,000)  
93.775/93.777/93.778/93.778ARRA (\$11,001,626,000)

**Award Numbers:** Various – See schedule of award numbers

**Federal Award Year:** Various – See schedule of award numbers

**Questioned Costs:** None

**Finding 2016-026 – Failure to Obtain Suspension and Debarment Certifications from Vendors**

#### **Condition Found:**

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 two 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 \$9,968,000, \$4,799,000, and \$381,797,000, respectively, during the year ended June 30, 2016. Payments made to providers on the behalf of beneficiaries of the CHIP and Medicaid programs were \$372,052,000 and \$10,445,896,000, respectively, during the year ended June 30, 2016.

#### **Criteria or Requirement:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

#### **Cause:**

In discussing these conditions with DHFS officials, they stated the required language regarding suspension and debarment is not included in State master contracts. The Department did not have a process in place to review vendors prior to making purchases using a master contract.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-025. (Finding Code 2016-026, 2015-025, 2014-023, 2013-020, 12-23, 11-31, 10-32, 09-24)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of DHFS Officials:**

The Department accepts this recommendation. The Department has implemented a process to ensure the vendors are reviewed on the Federal SAMS website.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)  
93.659 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** \$27,779 (Foster Care – Title VI-E)  
\$47,501 (Adoption Assistance)

**Finding 2016-027 – Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report**

**Condition Found:**

DCFS does not have an adequate process for supporting adjustments to the Title IV-E claiming report.

DCFS is required to submit quarterly financial reports (CB-496) for both the Foster Care and Adoption Assistance programs, which include information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports. Increasing and decreasing adjustments to amounts previously claimed are required to be supported by eligibility determinations or documentation that provides the basis for discontinuing assistance.

During our testwork over 25 adjustments to the Foster Care and Adoption Assistance programs reported on quarterly claiming reports filed during the year ended June 30, 2016, we experienced significant delays in receiving detailed documentation supporting the adjustments sampled. DCFS personnel informed us the original files supporting the adjustments had not been maintained and had to be recreated over a period of several weeks for our testing.

We also noted the following errors during our testwork of documentation supporting the sampled adjustments:

- One decreasing adjustment (totaling \$45,148) selected from the March 31, 2016 Foster Care quarterly claiming report was improperly reported. Specifically, we noted the underlying documentation provided by DCFS to support this adjustment consisted of 162 Adoption Assistance cases. In further reviewing this adjustment with DCFS personnel, we noted the adjustment should have been made to the Adoption Assistance program, not the Foster Care program.
- One decreasing adjustment (totaling \$65,080) selected from the December 31, 2015 Foster Care quarterly claiming report was improper. Specifically, we noted the adjustment was made to remove maintenance payments claimed in the December 31, 2011 Foster Care quarterly report due to the fact

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

that DCFS did not have adequate documentation to support a “contrary to the welfare” determination was made. Upon review of the documentation supporting this adjustment, we noted the temporary custody order included language supporting the “contrary to the welfare” requirement. Upon further review, DCFS determined this adjustment had been made in error.

- One increasing adjustment (totaling \$27,779 and pertaining to the quarter ended June 30, 2015) selected from the June 30, 2016 Foster Care quarterly claiming report and one increasing adjustment (totaling \$2,353 and pertaining to the quarter ended September 30, 2014) from the March 31, 2016 Adoption Assistance quarterly claiming report were not supported by eligibility determinations. Specifically, we noted DCFS could not provide the eligibility determinations made during the quarter sampled to support the adjustment.

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.

In evaluating DCFS’ process for identifying and documenting adjustments made to its quarterly claims, we noted DCFS has not implemented adequate supervisory reviews or other monitoring controls to determine if the adjustments being made are complete, accurate, and properly supported.

DCFS made the following increasing and decreasing adjustments during the year ended June 30, 2016:

Quarter Ended	Foster Care		Adoption Assistance	
	Increasing	Decreasing	Increasing	Decreasing
September 30, 2015	\$8,767,630	\$96,153	\$125,498	\$44,550
December 31, 2015	\$3,761,880	\$252,497	\$6,099	\$83,659
March 31, 2016	\$1,865,511	\$2,256,704	\$26,971	\$964
June 30, 2016	\$4,585,052	\$421,684	\$28,621	\$34,129

#### Criteria or Requirement:

According to 42 USC 1320b-2, a State agency must file a claim for payment with respect to an expenditure made during any calendar quarter by the State within the two-year period which begins on the first day of the calendar quarter immediately following such calendar quarter. Any payment shall not be made on account of any such expenditure if the claim is not made within the two-year period, except with respect to any expenditure involving court-ordered retroactive payments, audit exceptions, or adjustments to prior year costs.

Additionally, according to 45 CFR 205.60(a), the State agency must maintain or supervise the maintenance of records necessary for the proper and efficient operation of the State plan, including records regarding applications, determination of eligibility...recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations, and modifications. The records will include facts essential to the determination of initial and continuing eligibility, and the basis for discontinuing assistance.

2 CFR 200.403 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, among other

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

Furthermore, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure all adjustments to prior year costs are properly determined and supported.

#### **Cause:**

In discussing these conditions with DCFS officials, they stated system limitations which do not allow for the retention of detailed transactional information required the Department to recreate the data for audit purposes. Additionally, the Department noted that summary level reports used to support certain adjustments and the timing of the reporting deadlines resulted in adjustments being made to the wrong program.

#### **Possible Asserted Effect:**

Failure to properly determine when adjustments are necessary and failure to maintain proper supporting documentation for expenditures (adjustments) claimed for the Foster Care and Adoption Assistance programs may result in payments to ineligible beneficiaries, which are unallowable costs.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-027)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend DCFS review its current process for identifying and documenting adjustments and implement procedures to ensure the adjustments claimed for the Foster Care and Adoption Assistance programs are properly determined and supported. DCFS should also consider implementing additional monitoring controls to ensure the adjustments reported are complete, accurate, and properly supported.

#### **Views of DCFS Officials:**

The Department agrees with the recommendation. Improvements in design of our system will ensure detailed transaction information will be maintained on a permanent basis to ensure adjustments are better supported. The Department will also make changes to the manual process of reviewing Adoption Assistance and Foster Care adjustments to ensure they are properly categorized. The Department will continue to review its procedures to ensure claiming on all judicial determinations is appropriate and that documentation of eligibility files are complete.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** \$120,341

**Finding 2016-028 – Failure to Maintain Adequate Provider Licensing Files**

#### **Condition Found:**

DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers.

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. DCFS, as the State foster care licensing authority, is required to ensure foster family homes or child-care institutions are fully licensed, which includes ensuring the required background checks have been performed and the safety considerations with respect to child-care institution staff have been addressed.

During our testwork of 65 Foster Care maintenance assistance payments (totaling \$134,980), we reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid, and noted the following exceptions in our testwork:

- For one foster care beneficiary payment sampled (totaling \$295) with an unlicensed relative service provider, DCFS could not locate documentation evidencing the provider had undergone the proper criminal background checks and child abuse and neglect registry check. DCFS claimed reimbursement for foster care maintenance payments made to this provider on behalf of the child totaling \$508 during the year ended June 30, 2016.
- For 33 foster care beneficiary payments sampled (totaling \$119,218) with child-care institution service providers, the licensing files did not contain documentation that verified the safety considerations with respect to staff of the institution had been addressed. Specifically, required background clearances were not obtained for all staff members. DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling \$774,345 during the year ended June 30, 2016.

Total maintenance assistance payments made on behalf of program beneficiaries were \$79,947,000 during the year ended June 30, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for ensuring foster care providers were properly licensed prior to claiming Foster Care maintenance payments. Additionally, monitoring controls were not established to ensure licensing procedures were being followed.

#### **Criteria or Requirement:**

According to 42 USC 671(a)(20), any prospective foster parent must submit to criminal records checks, including a fingerprint-based check of national crime information databases, and a child abuse and neglect registry check before the foster parent may be finally approved for placement of a child. According to 45 CFR 1356.30(f), in order for a child-care institution to be eligible for Title IV-E funding, the licensing file for the institution must contain documentation that verifies the safety considerations with respect to the staff of the institution has been addressed. According to State requirements (225 ILCS 10/4.1), any applicant, employee, or volunteer of a child care facility or non-licensed service provider must submit his fingerprints to the Department of State Police to be checked against the fingerprint records filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases.

2 CFR 200.403 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, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the foster care provider licensing files are complete, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers.

#### **Cause:**

In discussing these conditions with DCFS officials, they stated record keeping systems were not designed to adequately capture the information needed to document the completion of background clearances. As a result, the Department was not able to demonstrate how this requirement had been monitored for all employees at its service providers.

#### **Possible Asserted Effect:**

Failure to maintain complete provider licensing files for foster family homes and child-care institutions, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees,

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

volunteers, or non-licensed service providers, could result in payments being made to ineligible service providers, which are unallowable costs.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-028)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend DCFS implement procedures to ensure the provider licensing files are complete, including documentation that all required background checks have been performed and documentation that verifies safety considerations with respect to the staff of child-care institutions has been properly addressed. Additionally, we recommend DCFS evaluate its process for ensuring providers are properly licensed and meet program requirements prior to placing Foster Care beneficiaries in their care and claiming payments to these providers for federal reimbursement.

**Views of DCFS Officials:**

The Department agrees with and has implemented the auditor recommendations. The Department received similar recommendations from a Title IV-E Foster Care Eligibility Review conducted in June 2016. As a result, the Department made significant changes in both licensing and monitoring procedures to ensure that all required background clearances for provider employees are completed timely and that supervisory oversight is documented for provider staff who have not completed the clearance process.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** \$202.77

**Finding 2016-029 – Failure to Properly Document and Execute Adoption Assistance Agreements**

**Condition Found:**

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 \$33,092) for compliance with eligibility requirements and allowability of related benefits. We noted the following:

- Two beneficiary assistance subsidy payments sampled were greater than the subsidy amounts documented in the approved adoption assistance agreements. The sampled payments were \$1,577.10 and \$948.06; whereas, the payment amounts in the approved adoption agreements were \$1,550 and \$948, respectively. The case records did not contain documentation supporting another amount had been agreed to by the State and adopting parents. Accordingly, the sampled payments were \$27.16 more than the amounts in the respective adoption agreements.
- Two beneficiary assistance subsidy payments sampled were greater than the subsidy amounts documented in the approved adoption assistance agreements. The sampled payments were \$471 and \$458; whereas, the payment amounts in the approved adoption agreements were \$384.38 and \$369.01, respectively. Upon further review, we noted the monthly payments actually paid at the time of the adoption were \$435 and \$380, respectively, which were consistent with the approved foster care rates at that time based upon the ages of the children. The sampled payments are consistent with the approved foster care rates based upon the current ages of the children; however, we noted neither the adoption assistance agreement, nor the case file, discuss using the foster care maintenance payments or any changes to the payment amounts.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Total assistance subsidy payments made on behalf of program beneficiaries were \$61,798,000 during the year ended June 30, 2016.

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.

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for documenting changes to subsidy payments prior to claiming them under the Adoption Assistance program. Additionally, adequate monitoring controls were not established to ensure subsidy payments are consistent with executed agreements or changes are adequately documented in accordance with established procedures.

#### **Criteria or Requirement:**

2 CFR 200.403 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, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 675(3), the adoption assistance 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.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures 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.

#### **Cause:**

In discussing these conditions with DCFS officials, they stated the exceptions noted were from older cases (2005 to 2010). The errors in payments were attributed to clerical errors and insufficient review procedures to ensure all documents relevant to the agreements were maintained.

#### **Possible Asserted Effect:**

Failure to maintain case file documentation, including documentation to support changes in the amount of the subsidy paid, may result in payments to ineligible beneficiaries, which are unallowable costs.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-028. (Finding Code 2016-029, 2015-028, 2014-025)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**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. Additionally, we recommend DCFS evaluate its process for ensuring subsidy payments are consistent with executed agreements or changes are adequately documented prior to paying adoption subsidies and claiming payments for federal reimbursement.

**Views of DCFS Officials:**

The Department is in agreement with the recommendations and has implemented a procedure to assure that all subsidy rate amounts listed in the adoption agreement is in line with the approved subsidy amount listed on the internal verification form (CFS 1800 P). The review process is completed prior to the finalization of the adoption by the Federal Participation Unit. This review process also includes the review of supporting documentation. The Department has also implemented a quality assurance review completed by the data entry supervisor to assure that the amount entered for payment matches the approved amounts listed in the approved subsidy agreement.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** \$2,464

**Finding 2016-030 – Missing Documentation in Adoption Assistance Eligibility Files**

#### **Condition Found:**

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. In order to be eligible to receive benefits under the adoption assistance program, certain judicial determinations and other eligibility determinations must be made.

During our testwork of 50 Adoption Assistance beneficiary payments (totaling \$33,092), we noted the following exceptions at the conclusion of our testwork (January 19, 2017):

- For five Adoption Assistance payments (totaling \$2,464), DCFS could not locate documentation evidencing the child has special needs. Specifically, DCFS could not locate documentation that the State made reasonable, but unsuccessful, efforts to place the children with appropriate adoptive parents without providing adoption assistance. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling \$16,377 during the year ended June 30, 2016.
- For two Adoption Assistance payments (totaling \$761), DCFS could not locate the petition to terminate, order to terminate, or surrender of parental rights, evidencing that the child could not or should not be returned to the home of his parent(s). Additionally, for one of these payments, DCFS also could not locate the initial judicial determination effecting that the child's continuation in the residence would be contrary to the welfare of the child. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling \$5,430 during the year ended June 30, 2016. This amount is also included in the first bullet above.
- For one Adoption Assistance payment (totaling \$104), DCFS could not locate the initial judicial determination effecting that the child's continuation in the residence would be contrary to the welfare of the child. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling \$1,183 during the year ended June 30, 2016. This amount is also included in the first bullet above.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Total assistance subsidy payments made on behalf of program beneficiaries were \$61,798,000 during the year ended June 30, 2016.

In mid-February, subsequent to reviewing these exceptions, DCFS provided documentation to clear all but one exception in the second bullet (for an Adoption Assistance payment totaling \$316). In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for maintaining documentation prior to claiming Adoption Assistance payments as several attempts needed to be made to obtain support for the sample of Adoption Assistance payments and related beneficiary case files sampled on November 14, 2016. Additionally, adequate monitoring controls were not established to ensure eligibility requirements were met and adequately documented in accordance with established procedures.

#### **Criteria or Requirement:**

According to 42 USC 673(a)(2)(a), certain requirements must be met in order for a child to be considered eligible for adoption assistance payments. For a “non-applicable child,” the child 1) must have been removed from the home of a relative either pursuant to a voluntary placement agreement or a judicial determination that remaining in the home is contrary to the welfare of the child, 2) is eligible for SSI benefits, or 3) is a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made with respect to the minor parent of the child. Additionally, the “non-applicable child” must have been determined by the State to be a child with special needs.

According to 42 USC 673(c)(1), a child is considered to have special needs if 1) the State has determined the child cannot or should not be returned to the home of his parents, and 2) the State has determined there exists with respect to the child a specific factor or condition (such as his ethnic background, age, membership in a minority group, or the presence of medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that the child cannot be placed with adoptive parents without providing adoption assistance; except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort must be made by the State agency to place the child with appropriate adoptive parents without providing adoption assistance.

2 CFR 200.403 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, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure all required judicial determinations and relevant documentation over the special needs determination for a child are properly obtained and maintained within case records.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

The Department stated case files are maintained in field offices rather than in the centralized eligibility unit, resulting in long lead times to retrieve file documents.

#### **Possible Asserted Effect:**

Failure to maintain case file documentation, including judicial determinations and relevant documentation to support the special needs determination, could result in payments to ineligible beneficiaries, which are unallowable costs.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-030)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure all judicial determinations and adequate documentation of special needs exists for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed. Additionally, we recommend DCFS evaluate its process for ensuring eligibility requirements are met and adequately documented prior to paying adoption subsidies and claiming payments for federal reimbursement.

#### **Views of DCFS Officials:**

The Department respectfully disagrees with the auditor recommendation. The Department acknowledges that access to older eligibility files creates delays in providing documentation to the auditors. The Department made procedural changes several years ago to address this issue for newly created eligibility case files, but those changes could not be made to the older files. Documentation within these files, however, did support how eligibility requirements were met and that the conditions of the adoption subsidy payments and nonrecurring expenditures does support the claiming of the federal reimbursement.

#### **Auditors' Comments:**

As discussed in the finding above, the State is required to have adequate controls in place to ensure eligibility determinations are properly documented prior to claiming beneficiary payments under a federal program. The decentralized filing system used by DCFS results in significant delays in completing our audit procedures. The delays in obtaining documentation for our sampled items exceeded three months and documentation for one beneficiary sampled was still not able to be located as of the date of our report (March 17, 2017).

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** \$1,360

**Finding 2016-031** – *Failure to Ensure Adoption Assistance Recertifications are Performed on a Timely Basis*

#### **Condition Found:**

DCFS did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. A child's eligibility for the program is determined initially at the time of adoption proceedings. However, it is the State's responsibility to establish a process to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s). On an annual basis, the State sends a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments. The form contains a series of questions concerning the parents' legal and financial responsibility of the child. The adoptive parent(s) must answer the questions, sign and return the form to DCFS to demonstrate their continued legal and financial responsibility over the child.

During our testwork of 50 Adoption Assistance beneficiary payments (totaling \$33,092), we noted three case files (with sampled payments of \$1,360) in which DCFS could not locate a recertification form submitted by the adoptive parents within the most recent 12-month period. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling \$8,304 during the year ended June 30, 2016.

Additionally, we noted DCFS has not established adequate control procedures to monitor whether required certifications are obtained and included in its case record files.

Total assistance subsidy payments made on behalf of program beneficiaries were \$61,798,000 during the year ended June 30, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Criteria or Requirement:**

2 CFR 200.403 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, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 673(a)(4), payments are discontinued when the state determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the state agency informed of circumstances that would make the child ineligible for adoption assistance payments or eligible for assistance payments in a different amount.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to obtain adoption recertification forms on a timely basis and to monitor whether required certifications have been obtained and included in the case record.

#### **Cause:**

In discussing these conditions with DCFS officials, they stated multiple attempts are made to contact adoptive families to complete the recertification process; however, responses are not always received.

#### **Possible Asserted Effect:**

Failure to obtain and retain the necessary eligibility recertification forms may result in payments to ineligible beneficiaries, which are unallowable costs.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-031)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Views of DCFS Officials:**

The Department partially agrees with this finding. The Department stated that there is no federal requirement that DCFS receive a recertification. DCFS will review its procedures related to adoption assistance payments made to adoptive families to determine whether modifications to the procedures are necessary to ensure payments are made only when appropriate. Specifically, the Department will consider whether the recertification is necessary or whether alternative documentation should be required when a recertification cannot be obtained.

#### **Auditors' Comment:**

As noted in the finding above, the State is required to discontinue payments when they determine the adoptive parents are no longer legally responsible for the child and parents are required to keep the State informed of circumstances that would make the child ineligible for adoption assistance payments. The State is also responsible for establishing internal control over compliance with these requirements. DCFS' established procedures require annual recertification procedures to verify the child continues to be eligible which is not being completed on a timely basis.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-032 – Failure to Ensure Required Judicial Determinations Were Made**

#### **Condition Found:**

DCFS did not ensure that required judicial determinations were made in applicable court rulings, including those pertaining to “reasonable efforts to prevent removal” and “contrary to the welfare”.

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. As the State administering agency of this program, DCFS receives reports and referrals of children in potentially compromising living situations, including those who are suspected to be abused or neglected. Children in imminent danger may be taken into protective custody. Otherwise, an investigation is performed to determine whether it is necessary to remove the child from the living environment, or if services can be provided to remedy the situation without placement. If removal from the living environment is required as a result of protective custody or an investigation, DCFS presents a motion to the court to gain temporary custody (also known as shelter care) of the minor, resulting from founded reports of abuse or neglect. To be eligible for reimbursement under the Foster Care program, DCFS is required to receive a judicial determination (court ruling) containing a “contrary to the welfare” and “reasonable efforts to prevent removal” determination. The “contrary to the welfare” determination must be in the first court ruling that sanctions the child’s removal from home, while the “reasonable efforts to prevent removal” determination must be made within 60 days from the date of removal from home.

During our testwork of 65 Foster Care maintenance assistance payments (totaling \$134,980), we reviewed case files for compliance with eligibility requirements and for the allowability of related benefits paid. We noted in one case (with a maintenance payment of \$511), the temporary custody court order contained contradicting evidence as to whether or not the reasonable efforts performed by DCFS eliminated the immediate and urgent necessity to remove the child from the home. Additionally, the temporary custody court transcript could not be obtained to clarify which reasonable efforts determination was properly marked. DCFS claimed reimbursement for foster care maintenance payments made on behalf of this child totaling \$3,389 during the year ended June 30, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Total maintenance assistance payments made on behalf of program beneficiaries were \$79,947,000 during the year ended June 30, 2016.

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.

#### **Criteria or Requirement:**

2 CFR 200.403 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, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 672(a)(2), the removal and foster care placement of a child must be in accordance with either a voluntary placement agreement entered into by a parent or legal guardian of the child, or with a judicial determination to the effect that continuation in the home from which removed would be contrary to the welfare of the child and that reasonable efforts (as described in 42 USC 671(a)(15)) for a child have been made. According to 45 CFR 1356.21(c), the contrary to the welfare determination must be made in the first court ruling that sanctions (even temporarily) the removal of a child from home. If the determination regarding contrary to the welfare is not made in the first court ruling pertaining to removal from the home, the child is not eligible for title IV-E foster care maintenance payments for the duration of that stay in foster care.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure adequate documentation supporting a child's removal and foster care placement is properly obtained and maintained in the case records.

#### **Cause:**

In discussing these conditions with DCFS officials, the Department stated the contradiction identified in the court documents was a clerical error in the judicial determination.

#### **Possible Asserted Effect:**

Failure to ensure the appropriate judicial determinations are made could result in payments being claimed for ineligible beneficiaries, which are unallowable.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-032)

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend DCFS review its procedures for obtaining and documenting whether judicial determinations have been made for all beneficiaries. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of the required judicial determinations not being made.

#### **Views of DCFS Officials:**

The Department respectfully disagrees with the recommendation. The Department complied with the judicial determination that “there is immediate and urgent necessity to remove the minor from the home and leaving the minor in the home is contrary to the health, welfare and safety of the minor.” The Department was granted temporary custody of the minor in the judicial determination as well. The Department believes the minor was eligible for assistance under the Foster Care program guidelines as a result of the judicial determination.

#### **Auditors' Comments:**

As noted in the finding above, the documentation supporting the beneficiary payment sampled in our testwork contained contradicting information as to whether or not the reasonable efforts performed by DCFS eliminated the immediate and urgent necessity to remove the child from the home. DCFS has stated the error was the result of a clerical error on the temporary custody order; however, this error was not identified by DCFS personnel and court transcripts could not be provided to substantiate which determination was accurate. As a result, we do not believe the documentation in this case supports the allowability of the beneficiary payments and we have questioned the costs relative to this case.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)  
93.659 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-033** – Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement

#### **Condition Found:**

DCFS did not perform its cash draws in accordance with the funding technique prescribed in the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury details, among other things, the funding techniques to be used for requesting federal funds). The TSA requires DCFS to draw funds in monthly installments (for receipt on the median day of the month) equal to 1/3<sup>rd</sup> of the quarterly grant awards for the Foster Care and Adoption Assistance programs. During our testwork over monthly cash draws performed for the Foster Care and Adoption Assistance programs during the year ended June 30, 2016, we noted 10 draws for each program in which funds were not drawn for receipt on the median day of the month. These draws were performed on dates that resulted in Federal funds being received between 12 days prior to and 13 days subsequent to the median business day of the month during the year ended June 30, 2016.

#### **Criteria or Requirement:**

According to 31 CFR part 205.6(a), a Treasury-State Agreement (TSA) documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Treasury and the State for each Federal program governed by subpart A of the Treasury regulations. Section 6.3.2 of the 2016 Treasury State Agreement (effective July 1, 2015 to June 30, 2016) states that the Foster Care and Adoption Assistance programs are required to use the Modified Payment Schedule – Monthly funding technique. Section 6.2.4 of the 2016 Treasury State Agreement describes the Modified Payment Schedule – Monthly funding technique as being interest neutral and requiring the State to request funds such that they are deposited in a State account on the median business day of the month.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include procedures to ensure that Federal cash draws are performed in accordance with the TSA.

**Cause:**

In discussing these conditions with DCFS officials, they stated the Department performed cash draws on other than the median day of the month to more closely align with the payment schedules for foster care and adoption assistance payments.

**Possible Asserted Effect:**

Failure to draw funds in accordance with the TSA results in noncompliance with U.S. Treasury Regulations.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-033)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA or amend the TSA to reflect DCFS' cash draw request practices.

**Views of DCFS Officials:**

The Department agrees with the recommendation. The Department is reviewing the TSA and will work with GOMB to negotiate a draw down date to align more with the cash needs of the program.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)  
93.659 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-034 – Inadequate Process for Reconciling Cash Balances to IOC's Records**

**Condition Found:**

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 reconcile its cash balances to the IOC's records on a monthly basis during the year ended June 30, 2016. Specifically, we noted none of the monthly cash reconciliations for State fiscal year 2016 were performed.

**Criteria or Requirement:**

Part 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure that cash reconciliations are properly performed on a monthly basis during the year.

**Cause:**

In discussing these conditions with DCFS officials, they stated personnel vacancies have affected the timeliness of certain procedures during the audit period.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Possible Asserted Effect:**

Failure to reconcile cash records may result in inaccurate financial reporting and drawing federal funds in excess of expenditures incurred.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-030. (Finding Code 2016-034, 2015-030, 2014-027)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend DCFS implement procedures to ensure cash reconciliations are performed on a monthly basis throughout the year.

**Views of DCFS Officials:**

The Department agrees with the recommendation. Receipts and expenditure reconciliations are currently being performed. The Department is also working towards implementation of a statewide Enterprise Resource Project (ERP) which will provide a more modern general ledger system to enhance reconciliation capabilities. The current timeline calls for an implementation date of ERP of January 1, 2018.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$191,767,000)  
93.659 (\$81,012,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-035 – Inadequate Controls over Information Systems**

#### **Condition Found:**

DCFS does not have adequate access review controls over information systems used to document beneficiary eligibility determinations, to record program expenditures, and to identify amounts to be claimed under federal programs.

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 of DCFS' controls over user access to the federal claiming system applications, we noted two semi-annual reviews of user access rights out of five selected for testing were not reviewed by data stewards during the year ended June 30, 2016. Additionally, we noted DCFS has not established procedures to monitor whether data stewards complete access reviews in accordance with established procedures.

#### **Criteria or Requirement:**

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured, system access rights are appropriate, and established access review controls are operating as designed.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

Department officials stated that the individual who performed that function retired. Upon his retirement responsibility for this function was transferred to another department. The individuals responsible for this function were not properly trained.

**Possible Asserted Effect:**

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.

**Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-032. (Finding Code 2016-035, 2015-032, 2014-029, 2013-029, 12-40)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend DCFS implement procedures to ensure access to its information systems is adequately secured and system access rights are periodically reviewed for appropriateness. We also recommend DCFS implement monitoring procedures to ensure reviews are performed and documented by data stewards in accordance with established procedures.

**Views of DCFS Officials:**

The Department agrees with the recommendation and has completed the employee training to ensure that proper procedure is followed in order to ensure that detailed transaction information and adequate support for adjustments is maintained.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$10,124,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-036 – Failure to Ensure Timely Preparation of Initial Case Plans**

#### **Condition Found:**

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 six of the initial case plans were completed within a range of 24 to 120 days over the 60-day federal requirement.

#### **Criteria or 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. According to State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable time frame as 45 days.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure initial service plans are completed in a timely manner.

#### **Cause:**

In discussing these conditions with DCFS officials, they stated that numerous outside factors can influence the timely completion of case plans and coordination. Of the six initial case plans completed after the 60-day federal requirement, it appears that the majority of the cases reviewed show a delay in the completion

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

of the Integrated Assessment (IA) which subsequently caused a delay in the initial service plan being completed within the required timeframe. Services are put in place regardless of whether there is a completed service plan.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-031. (Finding Code 2016-036, 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)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of DCFS Officials:**

The Department agrees with and has partially implemented the recommendation. The Department has updated its policies and procedures related to permanency. Statewide permanency practice training began in January of 2017 and will continue with Permanency staff until all DCFS/POS staff is trained. The timely development and completion of service planning is emphasized in the updated procedures. The training also provides the federal and state requirements to complete service plans for youth who are in substitute care. Additionally, the training will demonstrate how timely service plans positively impact children and families which can lead to better outcomes and timely permanency achievement.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$28,279,000)  
93.667 (\$64,899,000)  
93.917 (\$42,954,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-037 – Failure to Obtain and Review Subrecipient Single Audit Reports**

**Condition Found:**

IDPH did not obtain or review single 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 who expend more than \$500,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDPH finance staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDPH records; and (3) Type A programs (as defined by OMB Circular A-133 or the Uniform Guidance) 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 eight subrecipients of the ACA Exchanges program (with expenditures of \$4,385,657), we noted IDPH had not obtained or reviewed single audit reports for any of the subrecipients selected for testing. Amounts passed through to subrecipients under the ACA program totaled \$11,682,000.

We also noted IDPH passed through approximately \$4.7 million and \$8.7 million to subrecipients under the Title XX and HIV Care programs, respectively. Upon further review, we determined that single audit reports had not been obtained or reviewed for any ACA Exchanges, Title XX, or HIV Care subrecipients during the year ended June 30, 2016.

Subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Program</b>	<b>Total Fiscal Year 2016 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>Percentage</b>
ACA Exchanges	\$11,682,000	\$28,279,000	41.3%
Title XX	4,717,000	64,899,000	7.3%
HIV Care	8,686,000	42,954,000	20.2%

**Criteria or Requirement:**

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, a pass-through entity is required to 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, issue a management decision on audit findings within six months of the acceptance of the subrecipient’s audit report, and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the A-102 Common Rule and 2 CFR 200.303 require non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure single audit reports are obtained and reviewed in accordance with federal requirements.

**Cause:**

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.

**Possible Asserted Effect:**

Failure to obtain and review subrecipient single 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.

**Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-033. (Finding Code 2016-037, 2015-033, 2014-031, 2013-032, 12-45, 11-51, 10-49, 09-44, 08-48, 07-45, 06-46, 05-56)

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDPH establish procedures to ensure all subrecipients expending federal awards have single audits as required. Additionally, reviews of single audit reports should be formally documented using a single audit review checklist which includes procedures to determine whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the SEFA reconcile to IDPH records; and (3) Type A programs (as defined by OMB Circular A-133 or the Uniform Guidance) are being audited at least every three years.

#### **Views of IDPH Officials:**

IDPH concurs with the finding and recommendation. IDPH is in the final stages of submitting its proposed directive regarding the review and follow up activities required. The procedures will include the development of an annual listing of subrecipients; distribution of a 30-day advanced reminder of the due date of said reports with directions for formal requests for extension, non-compliance notifications, report receipt and review procedures to identify findings; and instructions to the awarding IDPH program regarding the receipt of subrecipient corrective action plans and the program's management decision letter responsibilities.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$11,001,626,000)  
**Award Numbers:** Various – See table of award numbers  
**Federal Award Year:** Various – See table of award numbers  
**Questioned Costs:** None

**Finding 2016-038 – Failure to Investigate Provider Complaints within Required Timeframes**

**Condition Found:**

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, 2016, we identified seven complaints that were not investigated within the time frames required by the State’s law. The delays in investigating these complaints ranged from 1 to 41 days in excess of required time frames.

**Criteria or Requirement:**

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.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include procedures to ensure provider complaints are investigated within required timeframes.

#### **Cause:**

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.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-034. (Finding Code 2016-038, 2015-034, 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDPH Officials:**

IDPH concurs with the finding and recommendation. The Office of Health Care Regulation continues to maximize available 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. IDPH has significantly reduced the backlog of complaints.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$11,001,626,000)  
**Award Numbers:** Various – See table of award numbers  
**Federal Award Year:** Various – See table of award numbers  
**Questioned Costs:** None

**Finding 2016-039 – Inadequate Procedures to Verify Provider Licenses**

**Condition Found:**

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, 2016, we noted licenses were not on file for five 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 \$2,320,197,021 during the year ended June 30, 2016. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled \$6,965,083 during the year ended June 30, 2016.

**Criteria or Requirement:**

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.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

**Cause:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-035. (Finding Code 2016-039, 2015-035, 2014-033, 2013-036, 12-48, 11-55)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDPH Officials:**

IDPH 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 IDPH 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.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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

**CFDA # and Program Expenditures:** 93.525 (\$28,279,000)  
93.667 (\$64,899,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-040 – Inaccurate Reporting of Federal Expenditures**

**Condition Found:**

IDPH did not accurately report amounts passed through to subrecipients under the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) and Social Services Block Grant (Title XX) programs.

Amounts passed through to subrecipients reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to IDPH's financial records. Specifically, we noted the following difference for the year ended June 30, 2016:

<b>Program</b>	<b>Amounts Passed Through to Subrecipients in IDPH's Records</b>	<b>Amounts Passed Through to Subrecipients on the Preliminary SEFA</b>	<b>Difference</b>
ACA Exchanges	\$11,682,000	\$11,359,000	\$323,000
Title XX	4,717,000	–	4,717,000

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

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 amounts passed through to subrecipients are accurately reported on the SEFA.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with IDPH officials, they stated a \$323,000 voucher was inadvertently overlooked during the preparation of the subrecipient report due to the voucher being an in-transit item.

#### **Possible Asserted Effect:**

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-040)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDPH establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

#### **Views of IDPH Officials:**

IDPH concurs with the finding and recommendation. IDPH has established procedures for the timely and complete reporting of federal expenditures. However, the \$323,000 voucher and Title XX funds were inadvertently overlooked during the preparation of the subrecipient report. IDPH will implement a control to validate accurate reporting of amounts passed through to subrecipients.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$28,279,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-041 - Failure to Draw Funds Only for Immediate Cash Needs**

**Condition Found:**

IDOI did not minimize 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 \$1,916,425) funded under the advance 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 34 expenditure vouchers (totaling \$1,476,013) 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 74 business days.

Total contractual service expenditures for the ACA Exchanges program administered by IDOI were \$15,109,963 during the year ended June 30, 2016.

**Criteria or Requirement:**

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 \$70,637,000 in expenditures to 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with IDOI officials, they stated the excess days noted were the result of expenditure and receipt processing being segregated across the Department, the State Treasurer, and the Comptroller's Office.

#### **Possible Asserted Effect:**

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-040. (Finding Code 2016-041, 2015-040, 2014-037)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of IDOI Officials:**

The Department accepts this finding. All ACA Exchange grant expenditures are processed through the Department's Treasury Held Federal Trust Fund, which operates as a clearing account with a normal fund balance of \$0. Because the fund balance is normally \$0, the Department must draw down the federal grant funds before proceeding with processing expenditures, and due to the receipt and expenditure process being segregated across the Department, the State Treasurer, and the State Comptroller, delays between the drawdown and expenditure of funds occur. The Department has not incurred any interest liability to the federal government as a result of these delays and we will work to continue to make improvements in reducing the time between the drawdown and expenditure of federal funds. The Department is unable to take any additional steps to further mitigate these delays because the issuing of warrants is solely within the purview of the Comptroller's Office.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$28,279,000)

**Award Numbers:** Various – See table of award numbers

**Federal Award Year:** Various – See table of award numbers

**Questioned Costs:** None

**Finding 2016-042 - Inaccurate ACA Exchanges Financial Reports**

**Condition Found:**

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 for the ACA Exchanges program. During our testwork over two quarterly SF-425 reports, we noted IDOI reported that the cash basis of accounting was being used; however the amounts reported included accrued (not paid) expenditures. As a result, we noted several errors in the preparation of the reports. Specifically, the amounts reported did not agree to supporting documentation, resulting in the following differences:

<b>Report Type (Period Ended)</b>	<b>Report Line Item</b>	<b>Amount Reported</b>	<b>Actual Amount</b>	<b>Variance</b>
SF-425 (9/30/15)	10a. Cash Receipts	\$13,759,494	\$13,042,595	\$716,899
SF-425 (9/30/15)	10b. Cash Disbursements	13,767,437	12,910,928	856,509
SF-425 (9/30/15)	10c. Cash on Hand	(7,943)	131,667	(139,610)
SF-425 (9/30/15)	5. Cumulative Federal Cash Disbursement (Federal Grant No. CACPA0079A)	875,652	900,395	(24,743)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Report Type (Period Ended)</b>	<b>Report Line Item</b>	<b>Amount Reported</b>	<b>Actual Amount</b>	<b>Variance</b>
SF-425 (9/30/15)	5. Cumulative Federal Cash Disbursement (Federal Grant No. HBEIE0016A)	\$25,685,863	\$25,858,600	\$(172,737)
SF-425 (9/30/15)	5. Cumulative Federal Cash Disbursement (Federal Grant No. HBEIE0158A)	106,748,531	106,386,738	361,793
SF-425 (9/30/15)	5. Cumulative Federal Cash Disbursement (Federal Grant No. HBEIE0217A)	251,413	251,393	20
SF-425 (9/30/15)	5. Cumulative Federal Cash Disbursement (Federal Grant No. PRPPR0017A)	693,754	722,338	(28,584)
SF-425 (3/31/16)	10a. Cash Receipts	8,298,750	7,083,088	1,215,662
SF-425 (3/31/16)	10b. Cash Disbursements	7,711,303	6,465,017	1,246,286
SF-425 (3/31/16)	10c. Cash on Hand	587,447	618,071	(30,624)
SF-425 (3/31/16)	5. Cumulative Federal Cash Disbursement (Federal Grant No. HBEIE0158A)	108,954,910	108,928,148	26,762

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 noted IDOI does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are consistent with current program activities.

**Criteria or Requirement:**

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. Further, 45 CFR 92.41 (b)(2) states each grantee will report program outlays on a cash or accrual basis as prescribed by the awarding agency.

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.

**Cause:**

In discussing these conditions with IDOI officials, they stated the differences noted were partially related to the usage of incorrect information (voucher date instead of warrant date) to identify the timing of cash disbursements consistent with the prior year and cumulative errors made in reporting for closed grants in previous quarterly reports which they are unable to manually correct.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

Failure to accurately prepare financial reports prevents the USDHHS from effectively monitoring the ACA Exchanges Program.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-039. (Finding Code 2016-042, 2015-039, 2014-039)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDOI Officials:**

The Department accepts this finding. The SF-425 quarterly report is completed electronically through the federal government's Grant Solutions website. The cash receipts are pre-populated based on the dollar amount that has been drawn down for the quarter and the Department manually enters current cumulative disbursement amounts per grant, as required by the online report. The rest of the report is auto-calculated based on previously reported data and current quarter data. The variances noted are due to errors made in previous quarterly SF-425 reports, for which the federal government does not have a process in place for us to correct. As a result, previous errors have continued to roll forward and result in the variances noted.

Further, as an additional control, the Department has implemented additional quality assurance procedures, such as analytical procedures and supervisory review of the reports to ensure amounts that are manually entered in the online report are accurate and reconcile with underlying financial records.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department on Aging (IDOA)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Aging Cluster  
**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$46,607,000)  
**Award Numbers:** Various – See schedule of award numbers  
**Federal Award Year:** Various – See schedule of award numbers  
**Questioned Costs:** Cannot be determined

**Finding 2016-043 – Inaccurate Certification of Maintenance of Effort (MOE) Expenditures**

**Condition Found:**

IDOA did not accurately certify its maintenance of effort (MOE) expenditures under the Aging Cluster program to USDHHS.

IDOA is required to spend for both services and administration under the Title III program within the Aging Cluster program at least the average amount of State funds it spent under the State plan for these activities for the past three previous fiscal years. IDOA is required to report the amount spent related to these activities to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. IDOA is also required to report the MOE expenditures on its semi-annual SF-425 report.

During our testwork of the MOE requirement, we noted IDOA passed through a total of \$20,380,075 to Area Agencies on Aging (subrecipients) for both services and administration under the Title III program during the federal fiscal year ended September 30, 2015, but only reported and certified that \$5,305,727 was spent for MOE expenditures. The amount reported for MOE expenditures was equal to the amount certified to USDHHS as the average expenditures for the past three years. Upon further discussion with IDOA management, we noted the MOE expenditures reported for the past four federal fiscal years have been determined in a similar manner. As a result, the average expenditures in the three year period have been consistent and does not properly reflect the actual expenditures incurred for the respective periods which would have resulted in a higher MOE requirement.

We also noted the MOE expenditures reported on the semi-annual ACL/AoA Title III supplemental form to the SF-425 (supplemental form) report for the period ended March 31, 2016 were equal to the amount certified on the MOE certification for Federal fiscal year 2015; however, the MOE expenditures reported did not pertain to the period reported on the supplemental form tested and IDOA could not support the amount reported with expenditures from the period covered by the report as the MOE expenditures for fiscal year 2016 had not been identified at the date of our testing (February 23, 2017).

Additionally, in considering the reporting process for the semi-annual SF-425 report and the supplemental form, we noted 5 reports (out of 11 sampled) did not contain evidence of a supervisory review to ensure amounts and information reported were complete, accurate, and consistent with current program activities.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Criteria:**

According to 45 CFR 1321.49, the State is required to spend under the State plan for both services and administration at least the average amount of State funds spent under the plan for the three previous fiscal years. Program Instruction Area on Aging Program Instruction (AoA-PI-14-04) requires the State to submit an annual certification of the amount of MOE expenditures for the federal fiscal year and a statement whether the MOE requirement was met, not met, or exceeded. The terms and conditions of the most recent grant awards for each open federal fiscal year (dated August 18, 2016, August 20, 2015, and August 26, 2014) require the State to complete a SF-425 report and supplemental form on a semi-annual basis.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure MOE expenditures are accurately reported in the federal financial reports and supervisory reviews are performed and documented.

#### **Cause:**

In discussing these conditions with IDOA officials, they stated staff turnover, inadequate training, and lack of proper procedures has led to this finding.

#### **Possible Asserted Effect:**

Failure to accurately certify and report the level of maintenance of effort expenditures prevents the USDHHS from effectively monitoring and evaluating the performance of the Title III Program, and could result in USDHHS improperly allocating future funding.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-043)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDOA review the process and procedures in place to prepare the certification of the maintenance of effort and its financial reports required for the Aging Cluster program and implement procedures necessary to ensure that actual expenditures incurred during the period are reported and certified. We also recommend IDOA implement procedures to ensure financial reports are subject to documented supervisory reviews prior submission.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Views of IDOA Officials:**

The Department disagrees with the portion of the finding referring to MOE not accurately being certified. The Department will implement a new tracking methodology and also create a procedure for the Fiscal Procedure Manual which will ensure consistency regardless of staff turnover and availability of staff to train. This procedure will include supervisor approval before reports are submitted.

#### **Auditors' Comment**

As discussed in the finding above, IDOA is required to report the amount spent for both services and administration under the Title III program to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. IDOA could not provide authoritative guidance supporting its position that the State is only required to report and certify an amount equal to the average expenditures for the past three years.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department on Aging (IDOA)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Aging Cluster  
**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$46,607,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

**Finding 2016-044** – *Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of the Aging Cluster Program*

**Condition Found:**

IDOA did not perform a risk assessment of subrecipients of the Aging Cluster program as required by the Uniform Guidance. Additionally, IDOA did not perform any on-site programmatic reviews during the fiscal year for Aging Cluster subrecipients and further did not perform fiscal on-site reviews as required by its established monitoring procedures.

IDOA passed through approximately \$45,005,000 of federal funding under the Aging Cluster program to 13 area agencies on Aging (subrecipients) during the year ended June 30, 2016. Beginning for all new federal awards (as well as any amendments to existing awards as identified by the federal agency) with effective dates on or after December 26, 2014, IDOA was required to perform a risk assessment to establish appropriate monitoring procedures based upon the risks inherent at each subrecipient. The Uniform Guidance requires the risk assessment procedures to include, among other things, the results of recent audits/reviews and the amount of federal funding passed through to the subrecipients. During our audit procedures, we noted IDOA had not amended its existing approach to monitoring its subrecipients. Specifically, we noted IDOA's subrecipient monitoring procedures for all subrecipients consists of performing single audit report desk reviews, reviewing periodic financial reports submitted by subrecipients, performing fiscal on-site reviews on a rotational basis (every 2 years), and performing programmatic on-site reviews once every 3 years (in conjunction with the review and approval of the subrecipient's 3-year Area Plan on Aging).

Additionally, during our review of on-site monitoring reviews performed by IDOA for the Aging Cluster program during the year ended June 30, 2016, we noted the following deficiencies in the monitoring procedures performed by IDOA:

- Programmatic on-site reviews were not performed for any of the program's 13 subrecipients during the year ended June 30, 2016. On-site reviews were last performed for these subrecipients in fiscal year 2014.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- Fiscal on-site reviews were not performed for two subrecipients out of six sampled in our testing (with expenditures of \$34,581,241). Amounts passed through to these two subrecipients during the year ended June 30, 2016 totaled \$10,105,705.
- Corrective action plans (CAPs) were not obtained for two subrecipients out of six sampled in our testing over fiscal on-site reviews (with expenditures of \$34,581,241). As of the date of our testwork (February 16, 2017), IDOA has not followed up with the subrecipient to obtain the CAPs. Amounts passed through to these two subrecipients during the year ended June 30, 2016 were \$12,529,598 (individually significant) and \$7,080,155.

#### **Criteria or Requirement:**

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward; and that the subaward performance goals are achieved. Additionally, according to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring planned on-site monitoring procedures are performed for Aging Cluster subrecipients.

#### **Cause:**

In discussing these conditions with IDOA officials, they stated the risk assessment is a component of Uniform Guidance and that a statewide approach to implementing Uniform Guidance was being developed in connection with the implementation of the State's Grants Accountability Transparency Act (GATA) in fiscal year 2017.

#### **Possible Asserted Effect:**

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-044)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Recommendation:**

We recommend IDOA: (1) implement the risk assessment procedures required by the Uniform Guidance; (2) review its current policies and procedures for monitoring Aging Cluster program subrecipients and implement changes necessary to implement any changes required by the Uniform Guidance; and (3) implement procedures to ensure on-site reviews are appropriately performed and completed as planned.

#### **Views of IDOA Officials:**

The Department concurs with the finding and recommendation. The Agency is working with GATA to make sure that we are in compliance with all of the requirements of the Uniform Guidance.

In section 1000 of the Department's AAA policy and Procedures Manual it outlines that on-site visits and reviews of the Area Agencies on Aging will be conducted a minimum of once during the Area Plan cycle which has been defined by Department on Aging policy to be a three year time period.

Office of Older American Services agrees that we need to implement a risk assessment process for conducting on-site reviews. Some Area Agencies on Aging may need on-site reviews more often than once during the Area Plan cycle.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department on Aging (IDOA)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Aging Cluster  
**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$46,607,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

**Finding 2016-045** – *Failure to Obtain DUNS Numbers from and Communicate Award Information to Subrecipients*

#### **Condition Found:**

IDOA did not obtain DUNS numbers prior to making subawards or communicate required federal program information at the time of award to subrecipients of the Aging Cluster program.

During our testwork over six subrecipients of the Aging Cluster program (with expenditures of \$34,581,000), we noted IDOA did not obtain the subrecipient's DUNS numbers or communicate the FAIN, Federal Award Date or whether the award is research and development (R&D) in the subaward agreement. We also noted IDOA has not established control activities or monitoring procedures to ensure DUNS numbers are obtained and award communications include all required information.

Amounts passed through to subrecipients under the Aging Cluster program totaled \$45,005,000 during the year ended June 30, 2016.

#### **Criteria or Requirement:**

According to 2 CFR section 200.331(a)(1), a pass-through entity must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following required information at the time of the subaward: subrecipient name, subrecipient's Dun and Bradstreet Numbering System (DUNS) number, Federal Award Identification Number (FAIN), Federal Award Date, subaward period of performance, amount of Federal funds obligated to the subrecipient, name of Federal awarding agency, identification of whether the award is R&D, and CFDA number. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award and subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure DUNS numbers

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

are obtained prior to making subawards and required information is properly communicated to each subrecipient at the time of the award.

#### **Cause:**

In discussing these conditions with IDOA officials, they stated the Agency had a shortage of staff and a statewide approach to implementing Uniform Guidance was being developed in connection with the implementation of the State's Grants Accountability Transparency Act (GATA) in fiscal year 2017.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-045)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDOA review its current process for obtaining DUNS numbers and preparing subrecipient funding notifications to ensure all required information is obtained and properly communicated to its subrecipients. We also recommend IDOA implement internal control procedures to monitor whether required information is obtained and communicated in accordance with federal regulations.

#### **Views of IDOA Officials:**

The Department concurs with the finding and recommendation. The Department has put in place under the guidance of GATA a process for obtaining DUNS numbers and preparing subrecipient funding notifications to ensure all required information is obtained and properly communicated to our subrecipients.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department on Aging (IDOA)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Aging Cluster  
**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$46,607,000)  
**Award Numbers:** Various – See schedule of award numbers  
**Federal Award Year:** Various – See schedule of award numbers  
**Questioned Costs:** None

**Finding 2016-046 – Failure to Draw Funds Only for Immediate Cash Needs**

**Condition Found:**

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

During our review of 55 subrecipient expenditures (totaling \$3,439,344) funded under the advance basis related to the Aging Cluster, we noted warrants were not issued for two expenditure vouchers (totaling \$167,669) 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 was six business days.

Total subrecipient expenditures for the Aging Cluster administered by IDOA were \$45,005,000 during the year ended June 30, 2016.

**Criteria:**

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 \$70,637,000 in expenditures to 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, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

In discussing these conditions with IDOA officials, they stated this was an error and oversight that the vouchers did not reach the Comptroller's office in a timely manner.

**Possible Asserted Effect:**

Failure to draw and disburse federal funds in accordance with program regulations results in noncompliance and may result in an interest liability to the federal government.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-046)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

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

**Views of IDOA Officials:**

The Department concurs with the finding and recommendation. The Department has trained staff on federal rules related to cash management as well as implemented procedures to track the timing of federal receipts and the release of vouchers to the Comptroller. This will ensure that all cash management rules are adhered to.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department on Aging (IDOA)

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

**Program Name:** Aging Cluster

**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$46,607,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-047 – Inaccurate Reporting of Federal Expenditures**

**Condition Found:**

IDOA did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Aging Cluster.

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 IDOA’s financial records. Specifically, we noted the following differences between amounts provided for audit and the SEFA expenditures initially reported to the IOC for the Aging Cluster for the year ended June 30, 2016:

<b>SEFA Caption</b>	<b>Amounts Reported on the Final Expenditure Pattern</b>	<b>Amounts Initially Reported to the IOC</b>	<b>Difference</b>
Expenditures	\$46,607,000	\$49,275,000	(\$2,668,000)
Amounts passed through to subrecipients	45,005,000	47,910,000	(2,905,000)

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity’s financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA is complete and accurate.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

In discussing these conditions with IDOA officials, they stated they believe that the prior year and current year lapse period expenditures were inadvertently included in the preparation of the SEFA.

**Possible Asserted Effect:**

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-047)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend IDOA establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA.

**Views of IDOA Officials:**

The Department concurs with the finding and recommendation. The Department will implement procedures to have work completed by staff and adequately reviewed for accuracy. This will ensure amounts passed to sub-recipients and the reporting of federal expenditures will be represented accurately.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)

**CFDA # and Program Expenditures:** 84.010 (\$678,927,000)  
84.027/84.173 (\$512,376,000)  
84.287 (\$52,083,000)  
84.367 (\$91,967,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

#### **Finding 2016-048 – Failure to Follow On-Site Monitoring Plan for Subrecipients**

##### **Condition Found:**

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 (21<sup>st</sup> Century), and Supporting Effective Instruction State Grant (formerly 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. We also noted no on-site monitoring procedures were performed for the 21<sup>st</sup> Century program at this subrecipient. Given the significance of this individual subrecipient and the fact that it operates in excess of 600 individual schools, we do not believe the on-site monitoring procedures performed by ISBE during the year ended June 30,

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

2016 were adequate. Expenditures to this subrecipient under the above referenced USDE programs were as follows:

<b>Program Name</b>	<b>Expenditures for Individually Significant Subrecipient</b>	<b>Amounts Passed-Through to All Subrecipients</b>	<b>Percentage</b>
Title I	\$292,374,000	\$662,109,000	44.2%
Special Education	91,437,000	500,188,000	18.3%
21 <sup>st</sup> Century	6,616,000	50,593,000	13.1%
Title II	34,681,000	89,830,000	38.6%

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 36 subrecipient on-site monitoring files, we noted ISBE did not communicate findings for 19 reviews within 90 days of the completion of review procedures and did not close out 9 reviews within 90 days of receipt of the subrecipients' corrective action plan (CAP). Timeframes for completing these activities were as follows:

<b>Number of Days</b>	<b>Number of Subrecipients Receiving Untimely Notification of Findings</b>	<b>Number of Subrecipients Whose Monitoring Files Were Not Closed Timely</b>
91-120	13	1
121-150	2	–
151-180	2	1
180+	2	7

Additionally, for two subrecipients, we noted on-site review files were still open at the conclusion of our testwork (January 27, 2017) and that ISBE had not received or obtained corrective action plans for these subrecipients.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

<b>Program Name</b>	<b>Total Fiscal Year 2016 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>Percentage</b>
Title I	\$662,109,000	\$678,927,000	97.5%
Special Education	500,188,000	512,376,000	97.6%
21 <sup>st</sup> Century	50,593,000	52,083,000	97.1%
Title II	89,830,000	91,967,000	97.7%

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Criteria or Requirement:**

According to 2 CFR sections 200.331(d) through (f), 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, according to 2 CFR 200.303, non-Federal entities receiving Federal awards must 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.

#### **Cause:**

In discussing these conditions with ISBE officials, they stated there was a critical shortage of staff during the period tested. In addition to meeting Federal on-site monitoring, report issuance, and file closure obligations, the Division must also address competing agency priorities.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-041. (Finding Code 2016-048, 2015-041)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of ISBE Officials:**

The Agency agrees with the finding. The Division of Federal and State monitoring has modified the risk scoring process to ensure individually significant subrecipients are adequately monitored. The Division has also worked to establish procedures related to communicating monitoring results and closing out audit files to ensure timely completion of these activities.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois State Board of Education (ISBE)

**Federal Agency:** U.S. Department of Agriculture (USDA)

**Program Name:** Child Nutrition Cluster  
Child and Adult Care Food Program

**CFDA # and Program Expenditures:** 10.553/10.555/10.556/10.559 (\$680,086,000)  
10.558 (\$150,941,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-049 – Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients**

#### **Condition Found:**

ISBE did not perform adequate on-site subrecipient monitoring procedures in accordance with its established monitoring plan for the Child Nutrition Cluster (CNC) and the Child and Adult Care Food Program (CACFP) programs.

USDA program regulations for the CNC and CACFP programs require ISBE to perform on-site fiscal and administrative monitoring procedures on a cyclical basis. For the CNC program, an administrative review of all school food authorities is required every three years (at a minimum). For the CACFP program, at least 1/3<sup>rd</sup> of all institutions must be reviewed on-site annually. Technical assistance and follow-up procedures for prior reviews are conducted based upon a risk-based approach in addition to the required cycle reviews each year for both programs.

During our review of the 65 CNC (25 from Summer Food Services and 40 from School Nutrition) and 40 CACFP subrecipients selected for testing, we noted ISBE did not perform required on-site reviews for 5 subrecipients of the CNC School Nutrition program. Reviews were last performed for these subrecipients in 2012.

We also noted ISBE did not follow timeframes established in its on-site monitoring plan for communicating findings, collecting corrective action plans, and closing out monitoring files. Specifically, during our testwork of the 65 CNC and 40 CACFP subrecipients referenced above, we noted ISBE did not communicate findings for 33 reviews within 60 days of the completion of review procedures and did not close out 11 reviews within 60 days of receipt of the subrecipients' corrective action plan (CAP). Timeframes for completing these activities were as follows:

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Number of Days	Number of Subrecipients Receiving Untimely Notification of Findings		Number of Subrecipients Whose Monitoring Files Were Not Closed Timely	
	CNC	CACFP	CNC	CACFP
61-90	4	12	2	—
91-120	2	—	4	—
121-150	2	—	—	—
151-180	5	—	—	—
180+	8	—	5	—

Additionally, for five CNC subrecipients, we noted on-site review files were still open at the conclusion of our testwork (January 27, 2017) and ISBE had not received or obtained corrective action plans for these subrecipients.

ISBE’s subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

Program Name	Total Fiscal Year 2016 Subrecipient Expenditures	Total Fiscal Year 2016 Program Expenditures	Percentage
CNC	\$678,381,000	\$680,086,000	99.7%
CACFP	149,617,000	150,941,000	99.1%

**Criteria or Requirement:**

According to 2 CFR sections 200.331(d) through (f), 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, according to 2 CFR 200.303, non-Federal entities receiving Federal awards must 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 subrecipients and the results of monitoring procedures are communicated and on-site review files are completed and closed out in a timely manner.

**Cause:**

In discussing these conditions with ISBE officials, they stated the Division of Nutrition and Wellness was 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was not reported in prior year audit. (Finding Code 2016-049)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISBE review its monitoring procedures 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 on-site monitoring files and implement additional procedures to ensure timely completion of these activities.

#### **Views of ISBE Officials:**

The Agency agrees with the finding. ISBE will review and implement monitoring procedures to ensure proper monitoring is performed and results are communicated for all nutrition programs. Beginning in fiscal year 2017, ISBE contracted with a firm to assist with the School Nutrition Program (SNP) review process. ISBE has also implemented the use of a data system for the fiscal year 2017 CACFP reviews, which automates the issuance of reports and makes the corrective action and closure phases more efficient. The data system for SNP will be implemented in fiscal year 2018.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)  
School Improvement Grants Cluster

**CFDA # and Program Expenditures:** 10.553/10.555/10.556/10.559 (\$680,086,000)  
10.558 (\$150,941,000)  
84.010 (\$678,927,000)  
84.027/84.173 (\$512,376,000)  
84.048 (\$37,311,000)  
84.287 (\$52,083,000)  
84.367 (\$91,967,000)  
84.377 (\$30,128,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

#### **Finding 2016-050 – Inadequate Review of Subrecipient Single Audit Reports**

##### **Condition Found:**

ISBE did not obtain and adequately review single 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 (21<sup>st</sup> Century), Supporting Effective Instruction State Grant (formerly 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.

Subrecipients who spend more than \$500,000 in federal awards are required to submit a single 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 subrecipients' single audit reports.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

During our review of a sample of 54 subrecipient single audit desk review files, we noted ISBE did not complete 41 of the 54 reviews in a timely manner (within 60 days of receipt).

We also noted there was not a single audit report on file for one of the 54 subrecipients sampled. Upon further review by ISBE, it was determined the subrecipient was not required to have a single audit; however, ISBE had not obtained a certification that an audit was not required from the subrecipient prior to our audit procedures.

Additionally, we noted ISBE has not established adequate monitoring controls to ensure subrecipient single audit reports are obtained and reviewed in a timely manner. As a result, management decision letters are not issued in accordance with required timeframes. Specifically, we noted ISBE was required to issue 20 management decisions related to the 54 subrecipient single audit desk review files tested. Of the 20 management decisions required in our sample, 15 were not completed within six months (180 days) of ISBE receiving the audit report. Delays in issuing these management decisions ranged from 8 to 138 days beyond the required timeframe.

ISBE’s subrecipient expenditures under the federal programs for the year ended June 30, 2016 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2016 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2016 Program Expenditures</b>	<b>Percentage</b>
CNC	\$678,381,000	\$680,086,000	99.7%
CACFP	149,617,000	150,941,000	99.1%
Title I	662,109,000	678,927,000	97.5%
Special Education	500,188,000	512,376,000	97.6%
CTE	21,878,000	37,311,000	58.6%
21 <sup>st</sup> Century	50,593,000	52,083,000	97.1%
Title II	89,830,000	91,967,000	97.7%
SIG	29,079,000	30,128,000	96.5%

**Criteria or Requirement:**

According to OMB Circular A-133 § \_\_.400(d)(3) and 2 CFR 200.331(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. Further, OMB Circular A-133 § \_\_.400(d)(5) and 2 CFR 200.331(d)(3) 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 200.403 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

#### **Cause:**

In discussing these conditions with ISBE officials, they stated completing and closing the review of single audits from the 2015 cycle overlapped the time in which audits for the 2016 cycle should have started. Competing staff priorities, correcting inefficiencies with the Annual Financial Report Finance System and creation of the Single Audit Certification System took more time away from performing audits than anticipated.

#### **Possible Asserted Effect:**

Failure to obtain and review subrecipient single audit reports in a timely manner may 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 single audit reports results in noncompliance with federal regulations.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-046. (Finding Code 2016-050, 2015-046)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISBE establish procedures to ensure subrecipient single audit reports are obtained and reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with required timeframes.

#### **Views of ISBE Officials:**

The Agency agrees with the finding. ISBE management continues to improve oversight over the single audit process, which includes implementation of bi-weekly communication with single audit staff to assess progress, discuss potential obstacles and review allocation of staff resources to comply with the new federal circular requirement in 2 CFR 200.521(d) of issuing a management decision within 6 months from the acceptance of the audit with the federal audit clearinghouse. ISBE has also implemented a new process to create and distribute a Management Decision letter per 2 CFR 200.521(a). ISBE is part of the statewide workgroup that is coordinating changes and transitions of the single audit process in accordance with the Grant Accountability and Transparency Act (GATA), which will see many of the statewide single audit functions contracted out starting in fiscal year 2018.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$680,086,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-051 – Failure to Properly Account for USDA Donated Foods**

#### **Condition Found:**

ISBE did not appropriately account for USDA Donated Foods related to the Child Nutrition Cluster program.

ISBE operates a food storage facility under the Child Nutrition Cluster program to receive, distribute, and maintain USDA donated food commodities. Program regulations require ISBE to maintain complete and accurate inventory records of the USDA donated food commodities, as well as, perform a physical inventory on an annual basis. ISBE uses a third party contractor to assist them in operating the food storage facility and has established procedures to reconcile the records of its contractor and the USDA on a monthly basis. ISBE also performs an annual physical inventory to verify its records.

During our review of monthly reconciliation procedures and the annual physical inventory, we noted the inventory records did not agree to the monthly reconciliation completed for June 30 2016. Specifically, we noted a difference between ISBE's inventory records and the monthly inventory reconciliation of 29 cases. Additionally, we noted the ending inventory value reported in ISBE's financial statements as of the year ended June 30, 2016 did not agree to the physical inventory count records. The inventory value reported in the financial statements was approximately \$1,827,000 as compared to \$1,868,000 identified in the physical inventory records (a difference of \$41,000).

#### **Criteria or Requirement:**

According to 7 CFR sections 250.16(a)(6) and 250.15(c), distributing and subdistributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

According to 7 CFR 250.14(e), distributing and subdistributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency.

According to 2 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure USDA Donated Foods are adequately inventoried, records updated, and properly reconciled to the general ledger.

#### **Cause:**

In discussing these conditions with ISBE officials, they stated unexpected turnover of key staff responsible for completing the reconciliation process led to data input errors and insufficient procedures to outline the reconciliation process.

#### **Possible Asserted Effect:**

Failure to appropriately account for USDA Donated Foods reports may result in unapproved and inaccurate reports being submitted to the federal awarding agency and may inhibit the ability of USDA to effectively monitor and evaluate the State's performance relative to the Child Nutrition Cluster program.

#### **Repeat Finding:**

A similar finding was not reported in prior year audit. (Finding Code 2016-051)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISBE personnel appropriately account for USDA Donated Foods for the Child Nutrition Cluster program.

#### **Views of ISBE Officials:**

The Agency agrees with the finding. ISBE corrected the data input errors and has implemented a reconciliation process for USDA Donated Foods.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$678,927,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

**Finding 2016-052 – Failure to Comply with ESEA Flexibility Waiver**

**Condition Found:**

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.

As reported in our prior year audit, ISBE did not report on focus or reward schools by September 1, 2014 as required. During the year ended June 30, 2016, we noted ISBE reported a listing of focus schools in July 2015; however, ISBE has not reported a listing of reward schools as of the date of our testing (January 27, 2017). 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Criteria or Requirement:**

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, according to 2 CFR 200.303, non-Federal entities receiving Federal awards must 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 ESEA Flexibility waiver requirements are met.

#### **Cause:**

In discussing these conditions with ISBE officials, they stated they did not have the data available necessary to identify the reward schools and legislative changes effective December 2015 modified this reporting requirement.

#### **Possible Asserted Effect:**

Failure to identify and report on reward and focus schools results in noncompliance with laws, regulations, and grant agreements of the Title I program.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-047. (Finding Code 2016-052, 2015-047)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISBE implement the necessary procedures to comply with program requirements.

#### **Views of ISBE Officials:**

ISBE agrees with the finding. ESEA legislation ended August 1, 2016. ISBE is in the final stages of developing a state plan to ensure compliance with the implementation of the new Every Student Succeeds Act (ESSA).

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)  
Improving Teacher Quality State Grants

**CFDA # and Program Expenditures:** 10.553/10.555/10.556/10.559 (\$680,086,000)  
10.558 (\$150,941,000)  
84.010 (\$678,927,000)  
84.027/84.173 (\$512,376,000)  
84.048 (\$37,311,000)  
84.287 (\$52,083,000)  
84.367 (\$91,967,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-053 – Inadequate Reporting of Federal Expenditures**

**Condition Found:**

ISBE did not accurately report Federal expenditures, including amounts passed through to subrecipients, 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), and Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) (Title II) 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, 2016:

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

<b>Program</b>	<b>Federal Expenditures Reported in ISBE's Records</b>	<b>Federal Expenditures Initially Reported to the IOC</b>	<b>Difference</b>
CNC	\$678,926,000	\$680,086,000	(\$1,160,000)
CACFP	151,353,000	150,941,000	412,000
Title I	680,175,000	678,927,000	1,248,000
Special Education	512,085,000	512,376,000	(291,000)
CTE	37,112,000	37,311,000	(199,000)
21 <sup>st</sup> Century	52,158,000	52,083,000	75,000
Title II	89,669,000	91,967,000	(2,298,000)

In addition, we noted the following differences relative to amounts passed through to subrecipients for the ISBE's major programs, as follows:

<b>Program</b>	<b>Amounts passed to Subrecipients Reported in ISBE's Records</b>	<b>Amounts passed to Subrecipients Initially Reported to the IOC</b>	<b>Difference</b>
CNC	\$676,927,000	\$678,381,000	(\$1,454,000)
CACFP	148,551,000	149,617,000	(1,066,000)
Title I	661,945,000	662,109,000	(164,000)
Special Education	499,246,000	500,188,000	(942,000)
CTE	20,968,000	21,878,000	(910,000)
21 <sup>st</sup> Century	49,268,000	50,593,000	(1,325,000)
Title II	87,506,000	89,830,000	(2,324,000)

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 2016-001. 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.

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions 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.

#### **Possible Asserted Effect:**

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-049. (Finding Code 2016-053, 2015-049, 2014-041)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISBE establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

#### **Views of ISBE Officials:**

The Agency agrees with the 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$678,927,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

#### **Finding 2016-054 – Inadequate Controls over the Title I Program Special Report**

##### **Condition Found:**

ISBE has not implemented formal review and approval procedures for the annual State Per Pupil Expenditure Data special report filed 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 the U.S. Department of Education (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 ISBE's mainframe database 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 no evidence that an independent supervisory review was performed prior to submission.

##### **Criteria or Requirement:**

According to 2 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include adequately documenting control procedures performed to ensure data is accurately reported on the State Per Pupil Expenditure Data report.

##### **Cause:**

In discussing these conditions with ISBE officials, they stated documentation of the review was not retained.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Possible Asserted Effect:**

Failure to document supervisory reviews of required federal reports may result in unapproved and inaccurate reports being submitted to the federal awarding agency and may inhibit the ability of USDE to effectively monitor and evaluate the State's performance relative to the Title I program.

**Repeat Finding:**

A similar finding was not reported in prior year audit. (Finding Code 2016-054)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend ISBE personnel formally document the review and approval of the annual State Per Pupil Expenditure Data report for the Title I program.

**Views of ISBE Officials:**

The Agency agrees with the finding. Agency personnel formally documented the review of the current year's State Per Pupil Expenditures Data report for the Title I program.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$37,311,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

**Finding 2016-055 – Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of the CTE Program**

**Condition Found:**

ICCB did not perform a risk assessment of subrecipients of the Career and Technical Education (CTE) program as required by the Uniform Guidance. Additionally, ICCB did not perform any on-site fiscal reviews of CTE subrecipients as required by its established monitoring procedures.

ICCB passed through approximately \$13,925,000 of federal funding under the CTE program to 39 community colleges (subrecipients) during the year ended June 30, 2016. Beginning for all new federal awards (as well as any amendments to existing awards as identified by the federal agency) with effective dates on or after December 26, 2014, ICCB was required to perform a risk assessment to establish appropriate monitoring procedures based upon the risks inherent at each subrecipient. The Uniform Guidance requires the risk assessment procedures to include, among other things, the results of recent audits/reviews and the amount of federal funding passed through to the subrecipients. During our audit procedures, we noted ICCB had not amended its existing approach for monitoring its subrecipients. Specifically, we noted ICCB's subrecipient monitoring procedures for all subrecipients consists of performing single audit report desk reviews, reviewing periodic financial reports submitted by subrecipients, performing fiscal on-site reviews on a rotational basis (every 5 years), and performing programmatic on-site reviews on a rotational basis (every 2 years).

Additionally, during our review of on-site monitoring reviews performed by ICCB for the CTE program during the year ended June 30, 2016, we noted ICCB did not perform any on-site fiscal reviews of CTE subrecipients as identified and planned within ICCB's monitoring policies and procedures. During fiscal year 2016, ICCB had planned to visit nine subrecipients; however, none of these on-site reviews were performed.

**Criteria or Requirement:**

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. Additionally, according to 2 CFR section 200.331(b), a pass-through entity must evaluate

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring planned on-site monitoring procedures are performed for CTE subrecipients.

#### **Cause:**

In discussing these conditions with ICCB officials, they stated desk reviews were completed in place of on-site reviews in fiscal year 2016 and that the Board was unaware of the risk assessment procedures.

#### **Possible Asserted Effect:**

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

#### **Repeat Finding:**

A similar finding was not reported in prior year audit. (Finding Code 2016-055)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ICCB:(1) implement the risk assessment procedures required by the Uniform Guidance; (2) review its current policies and procedures for monitoring CTE program subrecipients and implement changes necessary to implement any changes required by the Uniform Guidance; and (3) implement procedures to ensure on-site reviews are appropriately performed and completed as planned.

#### **Views of ICCB:**

The Board did not conduct on-site fiscal monitoring for CTE program subrecipients. In fiscal year 2016, the Board did perform fiscal monitoring for the 9 subrecipients identified as part of the 5-year cycle. These were completed as desk-reviews.

The Board implemented risk assessment procedures, as required by the Uniform Guidance, in fiscal year 2017. The Board will perform on-site fiscal monitoring for all grantees designated as high-risk each fiscal year.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$37,311,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** Cannot be determined

**Finding 2016-056 – Failure to Obtain Subrecipient DUNS Numbers**

**Condition Found:**

ICCB did not obtain Dun and Bradstreet Universal Numbering System (DUNS) numbers as part of its subaward application process or prior to granting subawards to subrecipients of the Career and Technical Education (CTE) program.

During our testwork of eight subrecipients of the CTE program (with expenditures of \$2,811,435), 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 at the time of the subaward during the year ended June 30, 2016.

ICCB passed through approximately \$13,925,000 of federal funding to subrecipients of the CTE program during the year ended June 30, 2016.

**Criteria or Requirement:**

According to 2 CFR 200.331(a)(1), a pass-through entity must ensure subawards include the subrecipient's DUNS number at the time of the subaward. In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonable 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.

**Cause:**

In discussing these conditions with ICCB officials, they stated that the Board was unaware of this requirement until the completion of the fiscal year 2015 single audit. By the time the fiscal year 2015 single audit had concluded, the Board had issued all fiscal year 2016 grants without verifying subrecipient DUNS numbers.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Possible Asserted Effect:**

Failure to obtain subrecipient DUNS numbers may result in ineligible subrecipients receiving federal awards and noncompliance with federal requirements.

**Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-050. (Finding Code 2016-056, 2015-050)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend ICCB establish procedures to obtain subrecipient DUNS numbers at the time of the subaward in accordance with federal requirements.

**Views of ICCB:**

The Board concurs with this finding. In fiscal year 2017, DUNS numbers for all subrecipients have been obtained and verified.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$37,311,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** None

**Finding 2016-057 – Inaccurate Reporting of Federal Expenditures**

**Condition Found:**

ICCB did not accurately report expenditures under the Career and Technical Education – Basic Grants to States (CTE) program.

ICCB inaccurately reported amounts passed through to subrecipients 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, 2016:

<b>SEFA Caption</b>	<b>Amounts per ICCB's Records</b>	<b>Amounts Initially Reported to the IOC</b>	<b>Difference</b>
Amounts passed through to subrecipients	\$13,925,000	\$-	\$13,925,000

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with ICCB officials, they stated key staff were unaware of the option to report subrecipient expenditures on the SCO 567 GAAP form.

#### **Possible Asserted Effect:**

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with 2 CFR 200 (Uniform Guidance), which may result in the suspension of federal funding.

#### **Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-051. (Finding Code 2016-057, 2015-051)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ICCB establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

#### **Views of ICCB:**

Beginning with the fiscal year 2017 GAAP process, the Board will report subrecipient expenditures on the SCO 567, ensuring accurate federal expenditure reporting.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$4,804,680,000)  
**Award Numbers:** None  
**Federal Award Year:** July 1, 2015 to June 30, 2016  
**Questioned Costs:** Cannot be determined

**Finding 2016-058 – Inadequate Process to Verify Unreported Loans**

**Condition Found:**

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 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 compliance reviews of the lenders performed every biennium via the Common Review Initiative (CRI) process, 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 \$1,185,011) to confirm the accuracy of the loan information with the lender and noted the following exceptions:

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

- Confirmations for two loans (with loan balances totaling \$6,625) were returned as undeliverable. Upon further investigation, ISAC was unable to facilitate locating the respondent.
- Confirmations for seven loans (with loan balances totaling \$24,650) 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 \$3,695,996,000 as of June 30, 2016.

#### **Criteria or Requirement:**

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, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure loan information is properly verified and reported to the NSLDS.

#### **Cause:**

In discussing these conditions with ISAC officials, they stated ISAC recognizes the importance of obtaining accurate and timely data from its lenders and supports standard reporting formats and schedules to ease the reporting process for 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.

#### **Possible Asserted Effect:**

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-055. (Finding Code 2016-058, 2015-055, 2014-047, 2013-040, 12-53, 11-60, 10-62, 09-58, and 08-64)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### Views of ISAC Officials:

ISAC will continue to support the business processes that 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Student Assistance Commission (ISAC)  
**Federal Agency:** U.S. Department of Education (USDE)  
**Program Name:** Federal Family Education Loans Program – Guaranty Agencies  
**CFDA # and Program Expenditures:** 84.032G (\$4,804,680,000)  
**Award Numbers:** None  
**Federal Award Year:** July 1, 2015 to June 30, 2016  
**Questioned Costs:** Cannot be determined

**Finding 2016-059 - Inadequate Process to Ensure Required Due Diligence are Performed**

**Condition Found:**

The Illinois Student Assistance Commission (ISAC) does not have an adequate process to ensure collection efforts 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 collection efforts 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. Corrective actions were implemented by ISAC in March 2015, however, during the current year audit, we noted 2 of 25 defaulted loan accounts tested where prescribed collection activities (e.g., phone calls, ODD-010 letters, etc.) were not performed.

Defaulted loans outstanding totaled \$461,795,664 as of June 30, 2016. Lender claims for loans paid during the year ended June 30, 2016 totaled \$129,271,705.

**Criteria or Requirement:**

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, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

conditions of the Federal award. Effective internal controls should include establishing procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

#### **Cause:**

In discussing these conditions with ISAC officials, they stated it appears the system fails to move certain re-defaulted loans into the proper category in their system to generate the required due diligence letters. ISAC has a manual process in place to identify borrowers where the above letters are not generated automatically; however, this process did not identify the loans identified in this finding.

#### **Possible Asserted Effect:**

Failure to perform collection efforts within the required time frame may result in noncompliance with applicable federal laws and regulations.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-054. (Finding Code 2016-59, 2015-054, 2014-046)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend ISAC implement procedures to ensure required collection efforts are performed in accordance with federal laws and regulations.

#### **Views of ISAC Officials:**

A system fix was done to correct the assignment rules for re-defaults in order to generate the required due diligence letters systematically and an exception report if not corrected automatically. This system redesign was implemented on December 5, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$4,804,680,000)  
**Award Numbers:** None  
**Federal Award Year:** July 1, 2015 to June 30, 2016  
**Questioned Costs:** Cannot be determined

**Finding 2016-060 - Inadequate Process for Assignment of Defaulted Loans**

#### **Condition Found:**

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 1<sup>st</sup> each year. During our audit of the Federal Family Education Loan Program, we noted there were 1,203 defaulted loans that met these criteria, which had not been assigned to the USDE by the December 1, 2015 deadline.

#### **Criteria or Requirement:**

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<sup>th</sup> 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, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure defaulted loans are assigned to USDE in accordance with program regulations.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Cause:**

In discussing these conditions with ISAC officials, they stated the large number of loans still eligible for assignment prevented ISAC from meeting the deadline of December 1, 2015.

#### **Possible Asserted Effect:**

Failure to assign loans to the USDE within required timeframes results in noncompliance with federal regulations.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-053. (Finding Code 2016-060, 2015-053)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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 1<sup>st</sup> deadline.

#### **Views of ISAC Officials:**

During the audit review period, ISAC had a total of 8,145 loans that were eligible for assignment. ISAC assigned 500 loans per file. ISAC also had loans that were rejected which required them to be reassigned, due to an issue with electronic signatures on promissory notes. These loans were assigned and after being rejected were manually marked as being electronically signed so they could be accepted on a future subrogation file.

As of February 2017, there are approximately 4,500 loans that are currently eligible for subrogation. This number is half of the population that was eligible last audit period. ISAC has taken steps to identify the current eligible population that have loans under an electronically signed promissory note. These loans are being marked as electronically signed so they will not be rejected when they are initially assigned to USDE. This will eliminate the need to reassign loans which caused ISAC to not be able to assign eligible loans by the December 1st deadline during the period audit period.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2016-061 – Failure to Implement UI Program Integrity and Overpayment Reduction Requirements**

**Condition Found:**

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.

During our testwork, 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.

**Criteria or Requirement:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure program integrity and overpayment reduction requirements are implemented.

#### **Cause:**

In discussing these conditions with IDES officials, they stated the procurement process for the IT services needed to implement the 15% penalty took longer than initially anticipated. The Department also had difficulty determining the best method for implementing the non-charging prohibition.

#### **Possible Asserted Effect:**

Failure to implement Federal requirements could result in noncompliance with laws, regulations and the grant agreement.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-056. (Finding Code 2016-061, 2015-056)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES develop and implement written 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.

#### **Views of IDES Officials:**

IDES accepts this finding and is currently integrating our current overpayment tracking 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, which is scheduled for completion by December 2017. The department will also begin planning the implementation of the prohibition on non-charging due to employer fault per federal guidance.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-062 – Failure to Issue Eligibility Determinations within Prescribed Timeframes**

#### **Condition Found:**

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 2017 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 2016, resolving only 61.9% of these determinations within 21 days of the detection date.

#### **Criteria or Requirement:**

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.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal entity is managing the Federal award in compliance with Federal statutes, regulations,

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure eligibility determinations are performed in accordance with required timeframes.

#### **Cause:**

In discussing these conditions with IDES officials, they stated the posting and scheduling of unnecessary adjudication assignments has generated a backlog of cases, resulting in untimely eligibility determinations.

#### **Possible Asserted Effect:**

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely and/or improper payment of unemployment benefits.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-058. (Finding Code 2016-062, 2015-058, 2014-049, 2013-048)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

#### **Views of IDES Officials:**

IDES accepts this finding and is focusing on the reduction and possible elimination of the posting and scheduling of adjudication assignments which are actually non-issues. Our attention is directed to the Document Processing Unit and the Internet Claims Unit, which are in positions to ensure that valid issues get posted. Staff in these units will learn to properly identify documents, to properly index documents to the correct issue, and to prevent the posting of duplicate and unnecessary issues.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-063 – Inaccurate Calculation of Dependent Child Allowance Supplemental Benefits**

#### **Condition Found:**

IDES did not accurately calculate the supplemental benefit amount for the dependent child allowance paid to certain claimants (beneficiaries) of the Unemployment Insurance (UI) program.

Claimants of the UI program with one or more dependent children are eligible to receive a supplemental payment in addition to their weekly benefit payment known as the dependent child allowance supplemental benefit (supplemental benefit). Program regulations require IDES to calculate the supplemental benefit using a formula tied to the financial condition of the State's unemployment insurance system. The Dependent Child Allowance Rate (DCAR) used to calculate the supplemental benefit cannot be less than 17% or greater than 17.9% of the claimant's prior average weekly wage.

During our testwork, IDES disclosed they had not used the most recent DCAR in calculating the supplemental benefit amounts for a portion of calendar year 2016. As a result, IDES underpaid claimants eligible to receive the supplemental benefit by \$1 each week. As a result, the total supplemental benefits underpaid to claimants during calendar year 2016 totaled \$700,806 of which \$327,996 pertained to the State fiscal year ended June 30, 2016.

IDES has not established adequate controls to ensure supplemental benefits are accurately calculated in accordance with program regulations. Specifically, we noted IDES has not implemented review procedures relative to the calculation of this type of supplemental benefits to identify inaccurate payment amounts.

Total dependent child allowance supplemental benefit payments totaled \$269,995,000 during the year ended June 30, 2016. Total UI benefit payments totaled \$1,866,279,000 during the year ended June 30, 2016.

#### **Criteria or Requirement:**

According to the Unemployment Insurance Act (820 ILCS 405/401), "with respect to each benefit year beginning after calendar year 2012, the dependent child allowance rate shall be the sum of the allowance adjustment applicable pursuant to Section 1400.1 to the calendar year in which the benefit year begins, plus

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

the dependent child allowance rate with respect to each benefit year beginning in the immediately preceding calendar year, except as otherwise provided in this subsection...The dependent child allowance rate with respect to each benefit year beginning...after calendar year 2012 shall not be less than 17.0% or greater than 17.9%.”

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls to ensure the dependent child allowance is calculated in accordance with program requirements.

#### **Cause:**

In discussing these conditions with IDES officials, they attributed the problem to a lack of training for staff assigned to calculate the DCAR and a lack of clear procedures regarding the calculation.

#### **Possible Asserted Effect:**

Failure to appropriately calculate the dependent child allowance supplemental benefit results in noncompliance with program regulations.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-063)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES review its current process for calculating the dependent child allowance supplemental benefit and consider changes necessary to ensure the supplemental benefit is calculated in accordance with program requirements.

#### **Views of IDES Officials:**

IDES accepts the finding. Prior to calculating the 2017 DCAR, IDES developed a step-by-step work sheet for calculating the DCAR for each year, as well as certain unemployment tax parameters. The work sheet is completed by the Department's budget and legal offices.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-064 – Failure to Perform FUTA Match Certification within Required Timeframes**

#### **Condition Found:**

IDES did not perform the match to support its certification of State Federal Unemployment Tax Act (FUTA) tax credits for the Unemployment Insurance (UI) program within required timeframes.

On an annual basis, IDES is required to certify to the Internal Revenue Service (IRS) the total amount of contributions required to be paid by each taxpayer under State law for the calendar year and the amounts and dates of such payments. On an annual basis, IDES perform a match of employer tax payments with the credit claimed for these payments on the employer's IRS 940 FUTA tax form. IDES is required to complete this match and provide the IRS the applicable data annually by January 31<sup>st</sup>.

During our testwork over IDES' annual FUTA match certification, we noted the FUTA data match and certification were not completed and submitted to the IRS until March 29, 2016 (58 days after the due date). IDES has not established adequate controls to ensure the required match was performed and that the data and certification were submitted within the required timeframe.

#### **Criteria or Requirement:**

According to 26 CFR section 31.3302(a)-3(a) and IRS Publication 4485: Guide for the Certification of State FUTA Credits, State agencies are required to provide their FUTA certification data to the IRS by January 31 of each year.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the timely submission of the FUTA certification data to the IRS.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

In discussing these conditions with IDES officials, they stated that the problem was the reduction and the overall redistribution of staff.

**Possible Asserted Effect:**

Failure to submit FUTA certification data to the IRS in a timely manner results in noncompliance and prevents the USDOL from effectively monitoring the UI program.

**Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-064)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend IDES review its procedures for preparing and submitting the annual FUTA certification data and implement procedures to ensure submissions are made within required timeframes.

**Views of IDES Officials:**

IDES accepts this finding. However, DES worked in conjunction with the IRS to submit the data without any detrimental effect to the employer. Procedures have been developed to ensure that the annual FUTA Certification Guidelines will be followed and implemented timely. This was successfully tested this year and the FUTA Certification was submitted timely.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-065 – Inadequate Process for Preparing UI Financial Reports**

#### **Condition Found:**

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 16, 2016), 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.

#### **Criteria or Requirement:**

According to ET Handbook 401, 4<sup>th</sup> 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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

#### **Cause:**

In discussing these conditions with IDES officials, they stated the problem stems from the data being compiled from multiple systems that do not interact and therefore the data needs to be manually collected.

#### **Possible Asserted Effect:**

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-060. (Finding Code 2016-065, 2015-060, 2014-051)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **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.

#### **Views of IDES Officials:**

IDES accepts this finding and is in the process of integrating the functionality of benefit legacy systems into IBIS throughout Federal fiscal year 2017 and Federal fiscal year 2018.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-066 – Inaccurate Special Report for the UI program**

**Condition Found:**

IDES did not accurately prepare the UI Contingency report for the Unemployment Insurance (UI) program.

On a quarterly basis, IDES is required to report information on the number of quarterly staff years worked and paid and the number of year-to-date staff years paid for various UI program categories on the *ETA 2208A – UI Contingency* (ETA 2208A) report. This information provides the basis for determining above-base award allocations.

During our testwork of two quarterly ETA 2208A reports, we noted certain line items reported by IDES did not agree to supporting documentation. Specifically, we noted the following differences:

<b>Report Line Item</b>	<b>Report Quarter Ended</b>	<b>Reported Amount</b>	<b>Actual Amount</b>	<b>Difference</b>
Support/AS&T (Section A UI program Staff Year Usage – line 4, column Quarter SYP)	09/30/2015	224.48	217.30	7.18
Support/AS&T (Section A UI program Staff Year Usage – line 4, column Year to Date SYP)	09/30/2015	230.77	228.60	2.17
Support/AS&T (Section A UI program Staff Year Usage – line 4, column Quarter SYP)	12/31/2015	234.20	223.90	10.30
Support/AS&T (Section A UI program Staff Year Usage – line 4, column Year to Date SYP)	12/31/2015	234.20	223.90	10.30

Additionally, in considering the reporting process for this special report, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are accurate. Specifically, we

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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.

#### **Criteria or Requirement:**

According to ET Handbook 336, 18<sup>th</sup> Edition, IDES is required to submit quarterly contingency reports (known as ETA 2208A reports) within 30 days after the end of the reporting quarter.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the accuracy of information reported in required special reports.

#### **Cause:**

In discussing these conditions with IDES officials, they stated because of the redistribution of staff, the Manager responsible for the report was new to the process.

#### **Possible Asserted Effect:**

Failure to accurately prepare special reports results in noncompliance and prevents the USDOL from effectively monitoring the UI program.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-066)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES review its process to prepare the UI Contingency report to ensure the report is complete and accurate prior to submission to the USDOL.

#### **Views of IDES Officials:**

IDES accepts this finding and has recently hired a staff member for the Office of the Budget who will be responsible for this report and will have the manager review all reports before they are submitted.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

#### **Finding 2016-067 – Inadequate Cash Management Procedures**

##### **Condition Found:**

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 28 administrative draw requests (totaling \$154,000,000), of which we selected 5 draws (totaling \$38,056,000) 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. Specifically, we noted the following exceptions:

- One draw request (totaling \$7,269,000) occurred prior to the end of the payroll period. This draw was performed 2 days prior to the first business day following the end of the payroll period.
- Four draw requests (totaling \$30,787,000) occurred after the first business day following the end of the payroll period. These draws were performed between 1 and 5 days subsequent to the first business day following the end of the payroll period.

##### **Criteria or Requirement:**

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure that cash draws are performed in accordance with U.S. Treasury Regulations.

#### **Cause:**

In discussing these conditions with IDES officials, they stated information is not always posted to the accounting records in time to calculate an accurate administrative draw for deposit on the first business day following the end of the pay period as specified by the Treasury-State Agreement (TSA).

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-062. (Finding Code 2016-067, 2015-062)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES implement procedures to ensure cash draws are performed in accordance with U.S. Treasury Regulations.

#### **Views of IDES Officials:**

IDES accepts this finding. We will document a procedure for semi-monthly administrative draws in conformity with the implementation of the State's ERP system. We have also requested a change in the TSA which will give us more time, if needed, to request the draw.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

#### **Finding 2016-068 – Inadequate Controls over Information Systems**

##### **Condition Found:**

IDES does not have adequate controls over the information systems that support the Unemployment Insurance (UI) Program to remove terminated users in a timely manner.

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.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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 database. 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.

During our testwork over 25 terminated users, we noted access rights were terminated more than 15 days after the payroll termination date for 20 users sampled. Delays in terminating access ranged from 1 to 15 days.

#### **Criteria or Requirement:**

2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

#### **Cause:**

In discussing these conditions with IDES officials, they stated the cost center managers are not timely in submitting the TSS-001 form when one of their staff is terminated.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-063. (Finding Code 2016-068, 2015-063, 2014-052, 2013-049, 12-59, 11-66)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDES implement procedures to ensure terminated users are removed from its information systems in a timely manner.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Views of IDES Officials:**

IDES accepts this finding and is in the process of reviewing the procedures to ensure that terminated users are removed from its information systems in a timely manner.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department of Security (IDES)

**Federal Agency:** U.S. Department of Labor (USDOL)

**Program Name:** Unemployment Insurance

**CFDA # and Program Expenditures:** 17.225 (\$2,018,581,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-069 – Inaccurate Reporting of Federal Expenditures**

**Condition Found:**

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 differences for the year ended June 30, 2016:

<b>Program</b>	<b>Amounts Reported on the SEFA</b>	<b>Amounts Reported per IDES' Records</b>	<b>Difference</b>
Unemployment Insurance	\$2,018,581, 000	\$2,019,136,000	(\$555,000)

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

**Cause:**

In discussing these conditions with IDES officials, they stated the variance was because of human error.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Possible Asserted Effect:**

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-064. (Finding Code 2016-069, 2015-064, 2014-050, 2013-044)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

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

#### **Views of IDES Officials:**

IDES accepts this finding and will establish new procedures to ensure staff accurately reviews the expenditures before they are submitted. This error was corrected and communicated to the Illinois Comptroller before the GAAP package was approved.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department of Commerce and Economic Opportunity (DCEO)

**Federal Agency:** U.S. Department of Housing and Urban Development (USHUD)

**Program Name:** CDBG – State Administered Small Cities Program

**CFDA # and Program Expenditures:** 14.228 (\$91,983,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-070 – Failure to Properly Record Federal Expenditures**

#### **Condition Found:**

DCEO did not accurately report loan balances under the CDBG State Administered Small Cities Program (CDBG) program.

In the 1980's, DCEO established revolving loan funds with a number of municipalities (subrecipients) in order to provide CDBG loans to organizations within their respective communities. The subrecipients are required to collect and deposit loan repayments and interest into their revolving loan fund and issue new loans as funds become available. DCEO has not provided any new loans under the CDBG program in recent years.

During our audit procedures, we noted the CDBG loan balances reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the SEFA did not agree to DCEO's financial records. Specifically, we noted DCEO inaccurately added loan activity for its subrecipients to the beginning loan balances for the CDBG program in the information reported to the IOC. As the loan activity occurred at the subrecipient level, we proposed and the State recorded an adjustment to reduce the loan balances reported on the SEFA for the CDBG program by \$3,655,000.

#### **Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502. According to 2 CFR 200.502(b), Federal expenditures should include (1) the value of new loans made or received during the audit period; plus (2) the beginning of audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus (3) any interest subsidy, cash, or administrative cost allowance received.

In addition, the A-102 Common Rule and 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure loan balances are accurately reported on the SEFA.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Cause:**

In discussing these conditions with DCEO officials, they stated the error was caused by inaccurately including loan activity at the subrecipient level in the amount reported on the prescribed Grant/Contract Analysis form (SCO-563C).

**Possible Asserted Effect:**

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

**Repeat Finding:**

A similar finding was reported in prior year audit as finding number 2015-066. (Finding Code 2016-070, 2015-066, 2014-054, 2013-050)

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend DCEO establish procedures to ensure loan balances reported to the IOC and used to prepare the SEFA are accurate.

**Views of DCEO Officials:**

The Department of Commerce and Economic Opportunity agrees with this recommendation. The Department will establish procedures to ensure that the revolving loan balance is accurately reported to the IOC and on the SEFA.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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 (\$1,480,121,000)  
**Award Numbers:** Various – see table of award numbers  
**Federal Award Year:** Various – see table of award numbers  
**Questioned Costs:** Cannot be determined

**Finding 2016-071** – *Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program*

**Condition Found:**

IDOT did not obtain certified payrolls in accordance with its established internal control procedures for the Highway Planning and Construction Cluster (Highway Planning) program.

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 in accordance with IDOT's established controls.

Effective April 1, 2016, IDOT amended its procedures to require weekly certified payrolls to be provided by contractors within four weeks of the payroll payment date. IDOT's policy requires funding to be suspended if contractors do not submit late certified payrolls within 7 days of notification from IDOT.

During our testwork of 45 Highway Planning contractor payments for regular construction projects (totaling approximately \$40,862,000) and 20 Highway Planning contractor payments for advanced construction projects (totaling approximately \$5,988,000), we noted the following:

- The certified payrolls for 14 Highway Planning contractor payments on regular construction projects (totaling approximately \$16,873,000) and 4 Highway Planning contractor payments on advanced construction projects (totaling approximately \$1,328,000) were not received in a timely manner. Delays in receiving the certified payrolls ranged from 4 to 28 days.
- The certified payrolls for 17 Highway Planning contractor payments on regular construction projects (totaling approximately \$14,568,000) and 8 Highway Planning contractor payments on advanced

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

construction projects (totaling approximately \$1,879,000) were not date stamped. As a result, we were unable to determine whether they were received in compliance with federal requirements and IDOT's procedures.

- The certified payrolls for 8 Highway Planning contractor payments on regular construction projects (totaling approximately \$7,826,000) and 4 Highway Planning contractor payments on advanced construction projects (totaling approximately \$2,470,00) were not signed by either the Resident Engineer, documentation staff, or Equal Employment Opportunity (EEO) personnel. As a result, we were unable to determine whether the certified payroll was approved.
- The certified payrolls for 4 Highway Planning contractor payments on regular construction projects (totaling approximately \$3,077,000) and 1 Highway Planning contractor payment on advanced construction projects (totaling approximately \$21,600) were not provided by IDOT as of date of our testing (February 2, 2017). As a result, we were unable to determine whether the certified payroll was approved in compliance with federal requirements and IDOT's procedures.

Payments made for construction contracts under the Highway Planning program were approximately \$1,281,484,000 during the year ended June 30, 2016.

#### **Criteria or Requirement:**

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.

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure certified payrolls are received in accordance with established control procedures.

#### **Cause:**

In discussing these conditions with IDOT officials, they stated the Bureau of Construction published Construction Memorandum 14 in April 2016, but has not fully implemented it yet.

#### **Possible Asserted Effect:**

Failure to obtain certified payrolls in accordance with federal requirements and IDOT's established control procedures could result in contractors not paying the prevailing wage rate to employees.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-069. (Finding Code 2016-071, 2015-069, 2014-056, 2013-054, 12-66, 11-77)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation:**

We recommend IDOT review its current process and consider any changes necessary to ensure weekly payroll certifications are received and approved in accordance with federal requirements and IDOT's procedures.

**Views of IDOT Officials:**

The Department agrees with the finding. Documented progress has been made to correct the audit finding. Further consultation with district construction staff is necessary to attain full implementation. This will happen via each district's spring Project Implementation meeting and through field visits by the Project Review Engineers in the Bureau of Construction.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**State Agency:** Illinois Department of Transportation (IDOT)

**Federal Agency:** U.S. Department of Transportation (USDOT)

**Program Name:** Highway Planning and Construction Cluster  
ARRA Surface Transportation Discretionary Grants for Capital Investment

**CFDA # and Program Expenditures:** 20.205/20.205ARRA/20.219 (\$1,480,121,000)  
20.932ARRA (\$4,408,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** None

**Finding 2016-072 – Inaccurate Reporting of Federal Expenditure Information**

**Condition Found:**

IDOT did not accurately report Federal expenditure information under the Highway Planning and Construction Cluster (Highway Planning) and the ARRA Surface Transportation Discretionary Grants for Capital Investment (TIGER) 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 information provided by IDOT for our audit procedures. Specifically, the expenditure patterns provided during our audit procedures for the Highway Planning and TIGER programs had to be revised multiple times to properly reflect program activity and to agree to the information reported to the IOC. We noted the following differences for the year ended June 30, 2016:

<b>Program</b>	<b>Amounts Reported to the IOC</b>	<b>Amounts Initially Provided for Audit</b>	<b>Difference</b>
Highway Planning	\$1,480,121,000	\$1,479,871,000	\$250,000
TIGER	4,408,000	3,515,000	893,000

**Criteria or Requirement:**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity’s financial statements and must include the total amount provided to subrecipients for each Federal program.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

In addition, 2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

#### **Cause:**

In discussing these conditions with IDOT officials, they stated that IDOT staff preparing the Final Major Program Expenditure Questionnaires did not verify total expenditures to the Schedule of Expenditures of Federal Awards (SEFA) reported expenditure amounts. As differences were discovered by the auditors, staff investigated and revised the Questionnaire to resolve differences.

#### **Possible Asserted Effect:**

Failure to provide accurate federal expenditure information to the auditors prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

#### **Repeat Finding:**

A similar finding was not reported in the prior year audit. (Finding Code 2016-072)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDOT establish procedures to accurately report federal expenditures provided for audit and to ensure they are consistent with those used to prepare the SEFA.

#### **Views of IDOT Officials:**

The Department agrees with the finding. The procedures have been revised to include assurance that expenditure totals provided in the Final Major Program Expenditure Questionnaires agree to the Schedule of Expenditures of Federal Awards (SEFA) expenditure amounts prior to submission to the auditors. Any differences noted are to be resolved prior to the submission of the Questionnaires.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**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  
ARRA Surface Transportation Discretionary Grants for Capital Improvement

**CFDA # and Program Expenditures:** 20.106 (\$69,025,000)  
20.205/20.205ARRA/20.219 (\$1,480,121,000)  
20.932ARRA (\$4,408,000)

**Award Numbers:** Various – see table of award numbers

**Federal Award Year:** Various – see table of award numbers

**Questioned Costs:** Cannot be determined

#### **Finding 2016-073 – Inadequate Controls over Information Systems**

##### **Condition Found:**

IDOT does not have adequate user access and 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 of IDOT's controls over user access to the applications identified above, we noted seven individuals who were identified to be removed from the FOA system during the annual access review (performed in late June 2016) who had not been removed from the FOA application as of September 26, 2016.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Additionally, 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 input into the database is manually input. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

#### **Criteria or Requirement:**

2 CFR 200.303 and the A-102 Common Rule require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs have proper change management controls in place.

#### **Cause:**

In discussing these conditions with IDOT officials, they stated the user IDs were retained to be used in the future and the mainframe environment does not provide the capability to log or track changes made to production programs.

#### **Possible Asserted Effect:**

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.

#### **Repeat Finding:**

A similar finding was reported in the prior year audit as finding number 2015-071. (Finding Code 2016-073, 2015-071, 2014-063, 2013-067, 12-82)

#### **Statistical Sampling:**

The sample was not intended to be, and was not, a statistically valid sample.

#### **Recommendation:**

We recommend IDOT implement procedures to ensure access to its information systems is adequately secured and changes identified in system access reviews are made on a timely basis. We also recommend IDOT implement procedures to ensure all information systems can generate a list of program changes from the information systems and applications or implement other procedures to establish the completeness and accuracy of the listing of program changes.

## **STATE OF ILLINOIS**

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

#### **Views of IDOT Officials:**

The Department agrees with the finding. Starting March 1, 2017, the RACF Coordinator or other authorized BIP staff are attaching an e-mail from DoIT (which confirms that the requested change from IDOT has been completed and put into production) to the SharePoint list item. This enables IDOT to have a complete record of the RACF requests and completion of the request from DoIT. This also allows the SharePoint site to generate a report containing a complete list of changes made to its information systems from each respective information system or application.

When RACF accounts are requested to be removed, the IDOT RACF Coordinator takes over those accounts and disables the individual from using the account for RACF access. The RACF ID is kept for up to 90 days for subsequent reassignment.

**STATE OF ILLINOIS**  
**Schedule of Findings and Questioned Costs**  
**Table of Award Numbers**  
**Year Ended June 30, 2016**

**Name of Federal Program or Cluster (CFDA #):**

**Supplemental Nutrition Assistance Program Cluster (10.551/10.561):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
2015IS251442 (2015)	2015IS251942 (2015)	2015IS252042 (2015)	2016IQ750342 (2016)
2016IS251442 (2016)	2016IS251942 (2016)	2016IS252042 (2016)	2016IS803642 (2016)

**Child Nutrition Cluster (10.553/10.555/10.556/10.559):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>		
2015I4IN109942 (2015)	2015IN109942 (2016)	2016I6IN109942 (2016)

**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
2015IW100342 (2015)	2015IW100642 (2015)	2016IW100342 (2016)	2016IW100642 (2016)

**Child and Adult Care Food Program (10.558):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
2015I4IN109942 (2015)	2015I4IN202042 (2015)	2015IN109942 (2015)	2015IN202042 (2015)
2016I6IN109942 (2016)	2016I6IN202042 (2016)		

**Community Development Block Grant - State-Administered Small Cities Program Cluster (14.228):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
B-00-DC-17-0001 (2000)	B-04-DC-17-0001 (2004)	B-05-DC-17-0001 (2005)	B-06-DC-17-0001 (2006)
B-07-DC-17-0001 (2007)	B-08-DC-17-0001 (2008)	B-09-DC-17-0001 (2009)	B-10-DC-17-0001 (2010)
B-11-DC-17-0001 (2011)	B-12-DC-17-0001 (2012)	B-13-DC-17-0001 (2013)	B-14-DC-17-0001 (2014)
B-15-DC-17-0001 (2015)	B-08-DF-17-0001 (2008)	B-08-DI-17-0001 (2008)	

**Unemployment Insurance Program (17.225):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
ES246130HI (2014)	UI25200SI0 (2014)	UI23889MX0 (2013)	UI23889MX0 (2013)
ES24613PZI (2015)	UI26532XF0 (2015)	UI27904155 (2015)	UI25200RP0 (2014)
UI23889OJ0 (2013)	UI279742VO (2016)	UI23889OJ0 (2013)	UI26532WK0 (2015)
UI25200SZ0 (2014)	UI25200SH0 (2014)	UI23889OJ0 (2013)	UI265322E0 (2016)
UI26532XW0 (2015)	UI26532XE0 (2015)	UI23889OJ0 (2013)	UI25200SZ1 (2014)
UI279743KO (2016)	UI279742UO (2016)	UI26393SZ0 (2014)	UI26532XW1 (2015)
UI23889RP0 (2013)	UI23889MQ0 (2013)	UI26393SZ0 (2014)	
UI25200WK0 (2014)	UI25200RI0 (2014)	UI26393SZ0 (2014)	
UI279742EO (2015)	UI23889MX0 (2013)	UI23889OJ0 (2013)	

**High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants Program (20.319/20.319ARRA):**

<b>Award Number (Federal Fiscal Year/Award Year)</b>			
FR-HSR-0015-11-01-00 (2011)	FR-HSR-0015-11-01-01 (2011)	FR-HSR-0015-11-01-02 (2011)	FR-HSR-01113-12-01-00 (2012)
FR-HSR-0052-11-01-00 (2011)			

**STATE OF ILLINOIS**  
**Schedule of Findings and Questioned Costs**  
**Table of Award Numbers**  
**Year Ended June 30, 2016**

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number (All Open Award Years)												
0000100	0027044	0057033	0073063	0089161	0123025	0181053	0279103	0315066	0331059	0341112	0365015	0556244
0001116	0027045	0057036	0073064	0089163	0123027	0181054	0290200	0315104	0331060	0341114	0366003	0556246
0003125	0028107	0057039	0074010	0089164	0123029	0181055	0290201	0315105	0331061	0343018	0370012	0556247
0004913	0028108	0057040	0074300	0089166	0127021	0181056	0290203	0316040	0331063	0343020	0370102	0556311
0005054	0028109	0057100	0074301	0089170	0127023	0181058	0294109	0316041	0331064	0343021	0372011	0556312
0005128	0029294	0057306	0074304	0089173	0129021	0183316	0294110	0317094	0331066	0343022	0372115	0557260
0005409	0029296	0057307	0074306	0089177	0129023	0183318	0297003	0317095	0331068	0343023	0373028	0557261
0006034	0029298	0057308	0074307	0089178	0129027	0183319	0297007	0317115	0331069	0343024	0373029	0557280
0007050	0029299	0057309	0074308	0090400	0131055	0184108	0297025	0318015	0331071	0343025	0373030	0558008
0007051	0031035	0057311	0074309	0090402	0131056	0185010	0297550	0318106	0331072	0343026	0373109	0559009
0009221	0031036	0057312	0074310	0091072	0132133	0185023	0301064	0320037	0332109	0343027	0375102	0559103
0011074	0033007	0057313	0074312	0091073	0139063	0185034	0301070	0320038	0332110	0343028	0375103	0561103
0011085	0033051	0057314	0074313	0091074	0139064	0185035	0301075	0320039	0332112	0343029	0375104	0561104
0011087	0033052	0057315	0074316	0091104	0140004	0187042	0301076	0320040	0332114	0344057	0376002	0567117
0011090	0033053	0057316	0074317	0091129	0141067	0188121	0301077	0320041	0332115	0344058	0377038	0567128
0011093	0033101	0057317	0075147	0094016	0141070	0189051	0302104	0321016	0332116	0344059	0379005	0570003
0011094	0033102	0057319	0075149	0094401	0141071	0191065	0303052	0322067	0332117	0345053	0379006	0572155
0011095	0033104	0057320	0075150	0094402	0141072	0191066	0303053	0322092	0332118	0345056	0379007	0573161
0011096	0033105	0057321	0075156	0094403	0141073	0191068	0303054	0322096	0332119	0345057	0389004	0573163
0011097	0035047	0061054	0075159	0095054	0141074	0192107	0303055	0322097	0332120	0345058	0393105	0573311
0011098	0037048	0062005	0075180	0095058	0141075	0193026	0303056	0322098	0332121	0345059	0397003	0573318
0011118	0037062	0063060	0075181	0095128	0143037	0193052	0303058	0322100	0332122	0345060	0397004	0573319
0011121	0039035	0063061	0077047	0095134	0143055	0193054	0303059	0322102	0332123	0345061	0397005	0573321
0011123	0039036	0063062	0077051	0095139	0143056	0193056	0304044	0322105	0332124	0345062	0399012	0574132
0011124	0039037	0063063	0077056	0097040	0143057	0193060	0304046	0322110	0334013	0346014	0400104	0574206
0011125	0039038	0063064	0077063	0099047	0143059	0193064	0304048	0322113	0334014	0346016	0403001	0574208
0011126	0039039	0063100	0078110	0099052	0143060	0193065	0305044	0323032	0334023	0346017	0405106	0575185
0011151	0039040	0063107	0078111	0099057	0143061	0195106	0305048	0323033	0334025	0347016	0407004	0575196
0013136	0040011	0063112	0078112	0101034	0143062	0197106	0305999	0324016	0334026	0347024	0407005	0575198
0013137	0041135	0063113	0079149	0101043	0145019	0197117	0307030	0324021	0334114	0347025	0417108	0576190
0014136	0042105	0064010	0079150	0101046	0147066	0197122	0307033	0325052	0335017	0347028	0428106	0576194
0015045	0042107	0064401	0079151	0101051	0149001	0197124	0307034	0325058	0335018	0347029	0435105	0577289
0015051	0042109	0064402	0079152	0102111	0153033	0197132	0307035	0325060	0335019	0347030	0451102	0577292
0015052	0043021	0065052	0080400	0103068	0155101	0197134	0307037	0325061	0336031	0347031	0452121	0577293
0015053	0043028	0065055	0080401	0103070	0155200	0199034	0307039	0326083	0336035	0348035	0452125	0577408
0016058	0043029	0065057	0080402	0103073	0157045	0199038	0308039	0326087	0336036	0348047	0462107	0579120
0017129	0043030	0065060	0080403	0103075	0161100	0200107	0308041	0326088	0336045	0348049	0502016	0584111
0017130	0045048	0065061	0080405	0103076	0161101	0201032	0308042	0326089	0336051	0348050	0503001	0585011
0017131	0045049	0066008	0080406	0103077	0162009	0201105	0308043	0326090	0336100	0348051	0505026	0586040
0017132	0045050	0067082	0080407	0105051	0162012	0203025	0308044	0326091	0337010	0348052	0505027	0587029
0017133	0045051	0067146	0080408	0105052	0165035	0206114	0308045	0326092	0337011	0348053	0510035	0591023
0017220	0045052	0067147	0080409	0105053	0165038	0206119	0308046	0326093	0338042	0348055	0510038	0591025
0017222	0046027	0067150	0081060	0105054	0167057	0212106	0310013	0326094	0338044	0349016	0514011	0591026
0019125	0047038	0067151	0081062	0105056	0167060	0217106	0310088	0326095	0338046	0349017	0517059	0591027
0019133	0051093	0067152	0081063	0105057	0167067	0226102	0310139	0327046	0338048	0349111	0517060	0592053
0020043	0051095	0067153	0081064	0105058	0167069	0240103	0310141	0327057	0338049	0350038	0519111	0594007
0020044	0051096	0067155	0081067	0105059	0167070	0240104	0310145	0327058	0338050	0350039	0522009	0595033
0020061	0051097	0067156	0081068	0105060	0167073	0241203	0310147	0327059	0338051	0350040	0524001	0595034
0020062	0053100	0067158	0081071	0107038	0167075	0244105	0310150	0327060	0338052	0350042	0524004	0596106
0020063	0053105	0067160	0081075	0109058	0167076	0245103	0310151	0327064	0338055	0351024	0524005	0597104
0020065	0055008	0067161	0081078	0109061	0167077	0247108	0310152	0327065	0338075	0351025	0524006	0599026
0020066	0055009	0068012	0083046	0109062	0167078	0247109	0310153	0327103	0339029	0351026	0525205	0599027
0021163	0055062	0068113	0083052	0111049	0170020	0252102	0311041	0328033	0339031	0351027	0531109	0600060
0021175	0055069	0068114	0085056	0111053	0173178	0255400	0311045	0328034	0339032	0351028	0541012	0603116
0021181	0055400	0070400	0085057	0111057	0173180	0255401	0311046	0329014	0339033	0353019	0541014	0604025
0021183	0055401	0070401	0085108	0111062	0173181	0255402	0311047	0329015	0339075	0353020	0542005	0608022
0023059	0055402	0070402	0087130	0111066	0173182	0260105	0311048	0330046	0339112	0353021	0546110	0611111
0024050	0055406	0070405	0088020	0111069	0173183	0263104	0312036	0330065	0341024	0353023	0548104	0613020
0025073	0055407	0070406	0089125	0115065	0173184	0268113	0312038	0330068	0341025	0355121	0549012	0613021
0025075	0055408	0070407	0089129	0115068	0173185	0268114	0312042	0330069	0341033	0355122	0552122	0614035
0025076	0055409	0071066	0089134	0115069	0174119	0270006	0312043	0330070	0341035	0358008	0553154	0615006
0025077	0055410	0071067	0089138	0115070	0175027	0270401	0312044	0330071	0341038	0358105	0553157	0619021
0025078	0055411	0071123	0089142	0117080	0175030	0270403	0313022	0330073	0341048	0358108	0553158	0619022
0025079	0055412	0072006	0089149	0119070	0175031	0270404	0314008	0330074	0341053	0361004	0554169	0619023
0025080	0055451	0072105	0089150	0119074	0176111	0270405	0314009	0330075	0341055	0362003	0555110	0623033
0025081	0055475	0072401	0089155	0121053	0177044	0272111	0314106	0331055	0341057	0362006	0556232	0623034
0026003	0055476	0072402	0089157	0121062	0177045	0272112	0315063	0331056	0341059	0365012	0556239	0626007
0027041	0057005	0072403	0089158	0123023	0179035	0277103	0315064	0331058	0341111	0365014	0556243	0627014

**STATE OF ILLINOIS**  
Schedule of Findings and Questioned Costs

Table of Award Numbers

Year Ended June 30, 2016

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number (All Open Award Years)												
0631016	0712020	0786009	0870014	1324104	1928101	3246003	4003093	4003222	4003411	4009143	4053001	5011421
0634114	0713008	0786011	0870015	1362116	1937001	3260002	4003094	4003223	4003412	4009144	4054001	5011424
0635008	0714021	0786012	0873034	1364003	1937002	3260003	4003098	4003224	4003416	4009150	4056001	5011426
0638012	0717034	0786013	0876076	1375002	1945102	3465002	4003105	4003226	4003420	4009151	4064002	5011461
0638110	0717106	0788006	0877014	1376011	1964003	3510001	4003107	4003227	4003422	4009152	4064003	5011481
0638111	0720108	0788113	0878104	1380107	1984001	3525003	4003109	4003233	4003423	4009154	4066002	5012021
0641128	0720109	0793022	0881019	1381106	1984004	3537006	4003110	4003238	4003427	4009157	4066003	5013019
0641129	0721083	0795116	0883115	1386005	2014053	3562007	4003114	4003240	4003429	4009164	4067001	5016042
0645150	0722093	0796017	0883116	1387106	2014171	3565005	4003115	4003249	4003432	4009167	4074001	5016043
0645151	0723111	0797124	0885045	1387107	2052001	3565006	4003116	4003250	4003433	4009168	4076001	5017045
0646071	0724015	0798007	0885047	1388001	2081100	3576002	4003119	4003252	4003436	4009170	4085007	5017048
0646078	0726061	0799003	0885048	1388103	2087001	3578010	4003120	4003253	4003440	4009179	4086004	5017050
0646079	0726062	0800012	0885049	1391001	2137001	3578011	4003122	4003255	4003441	4009181	4091014	5019009
0646080	0726063	0800124	0888123	1405002	2267001	3581002	4003123	4003257	4003442	4009183	4094001	5021026
0651108	0726066	0803135	0897010	1405106	2402102	3595001	4003124	4003260	4003443	4009190	4096001	5021028
0653029	0729014	0803136	0899005	1405107	2428001	3716012	4003126	4003261	4003444	4009192	4099002	5023011
0653030	0730022	0804189	0902106	1419012	2462105	3730003	4003129	4003262	4003446	4009197	4301001	5024031
0653031	0732149	0804190	0903215	1434106	2463001	3774011	4003132	4003265	4003451	4009202	4747103	5024032
0656014	0732150	0804191	0903216	1453011	2556021	3854012	4003134	4003271	4003452	4009203	4747104	5025048
0658026	0732151	0804193	0904209	1468004	2578005	3887006	4003136	4003273	4003455	4009204	5000939	5025054
0661105	0733112	0804194	0905083	1488110	2600104	3887007	4003138	4003275	4003466	4009205	5000994	5027010
0662062	0734043	0804195	0909105	1501010	2678007	3887008	4003141	4003278	4003468	4009211	5007021	5034017
0664003	0734044	0805057	0918103	1527012	2688003	3887010	4003142	4003279	4003482	4009217	5008031	5034027
0664004	0734045	0805060	0919110	1527029	2691003	3902003	4003143	4003285	4003483	4009220	5010013	5036028
0666023	0734104	0805076	0921104	1527034	2704001	3923011	4003144	4003286	4003484	4009227	5011197	5036029
0667107	0736111	0805077	0921105	1527035	2705086	3925011	4003145	4003288	4003485	4009231	5011235	5039011
0668006	0741099	0808039	0923017	1527036	2705102	4000015	4003146	4003289	4003486	4009235	5011241	5040008
0668007	0741100	0808040	0923105	1527037	2711018	4000047	4003148	4003291	4003488	4009241	5011248	5043001
0669033	0741310	0808041	0937118	1527090	2729002	4003002	4003150	4003293	4003489	4009243	5011253	5046008
0669036	0742136	0809004	0941027	1548002	2742006	4003003	4003152	4003295	4003490	4009249	5011255	5047010
0669037	0742137	0809006	0941115	1548003	2775003	4003006	4003153	4003297	4003491	4009251	5011256	5052027
0673027	0743104	0809105	0942246	1566004	2806050	4003009	4003154	4003298	4003494	4009253	5011264	5058028
0678006	0745001	0813112	0943369	1570001	2815105	4003013	4003156	4003299	4003496	4009256	5011266	5059104
0678107	0745200	0815110	0944100	1574002	2818110	4003014	4003157	4003301	4003498	4009257	5011284	5059105
0678108	0745305	0820014	0958001	1576002	2840001	4003015	4003158	4003304	4003499	4009261	5011303	5060009
0678109	0745311	0821046	0958103	1583003	2857009	4003016	4003159	4003305	4003505	4009263	5011305	5064016
0679111	0746159	0823012	0963001	1583005	2857010	4003017	4003161	4003315	4003506	4009264	5011310	5066013
0680003	0746160	0823013	0999002	1587006	2869106	4003018	4003162	4003319	4003507	4009265	5011315	5067016
0680109	0746161	0824014	0999004	1591107	2870001	4003020	4003163	4003320	4003524	4009266	5011320	5067018
0680110	0747104	0824021	1018002	1597109	2881102	4003021	4003164	4003322	4003528	4009267	5011321	5067021
0681044	0748109	0824022	1019005	1600120	2882100	4003023	4003175	4003323	4003529	4009273	5011327	5068028
0681106	0748111	0827006	1027004	1600121	2887003	4003030	4003176	4003324	4003543	4009274	5011331	5068029
0682011	0749026	0832015	1030102	1620100	2904205	4003032	4003177	4003329	4008021	4009275	5011332	5071013
0685031	0752100	0832103	1036004	1623001	2913003	4003036	4003180	4003331	4008027	4009276	5011338	5074089
0685034	0753042	0836031	1057103	1652050	2916004	4003040	4003184	4003332	4008100	4009277	5011343	5074091
0685035	0754013	0836115	1099002	1660107	2936114	4003041	4003187	4003335	4008114	4009278	5011344	5074092
0685036	0754114	0840064	1149100	1666103	2937004	4003042	4003189	4003336	4008115	4009279	5011348	5074094
0686111	0756102	0840066	1149102	1671109	2937006	4003044	4003191	4003339	4009016	4009281	5011350	5077003
0689003	0759101	0840067	1166001	1698101	2943017	4003045	4003192	4003344	4009031	4009285	5011352	5077007
0693067	0760017	0840068	1176103	1705104	2943018	4003046	4003193	4003349	4009032	4009288	5011355	5080006
0693068	0761011	0846025	1226102	1706105	2943019	4003047	4003194	4003350	4009035	4009290	5011360	5086005
0693069	0761013	0849014	1230012	1707106	2943020	4003048	4003195	4003363	4009056	4009291	5011364	5090002
0693071	0762008	0849114	1233106	1722103	2943021	4003051	4003196	4003370	4009070	4009296	5011370	5092005
0696109	0766006	0852013	1246103	1737104	2992001	4003057	4003197	4003371	4009076	4009297	5011374	5092006
0697035	0770106	0855007	1248103	1749102	3000045	4003058	4003199	4003372	4009079	4009299	5011375	5093130
0698035	0773010	0855110	1249300	1785101	3000046	4003064	4003200	4003373	4009081	4009300	5011378	5093131
0698036	0776029	0858101	1257001	1806103	3000047	4003070	4003201	4003375	4009096	4009301	5011380	5093132
0699105	0776030	0858300	1272001	1857121	3000048	4003074	4003202	4003376	4009106	4009303	5011381	5093138
0702234	0778008	0859106	1279112	1872105	3000050	4003075	4003205	4003378	4009108	4009309	5011382	5093152
0703150	0778009	0861021	1279113	1879120	3000051	4003076	4003208	4003381	4009116	4009316	5011389	5093154
0704139	0781032	0863003	1299110	1881115	3000052	4003077	4003209	4003385	4009127	4009317	5011394	5093159
0704141	0781034	0863107	1312001	1908002	3000053	4003080	4003212	4003386	4009129	4009319	5011397	5093164
0705121	0782014	0866104	1320004	1911105	3000054	4003081	4003213	4003388	4009131	4009321	5011399	5093165
0706136	0782119	0869039	1320999	1911106	3083104	4003083	4003214	4003394	4009136	4009323	5011403	5093166
0706137	0783106	0869042	1321019	1911107	3146001	4003084	4003217	4003403	4009138	4009324	5011405	5093167
0709029	0784103	0869105	1321021	1911108	3200000	4003086	4003218	4003404	4009139	4009325	5011406	5093168
0709030	0785033	0870012	1323001	1919106	3200001	4003087	4003219	4003407	4009141	4009331	5011407	5093170
0711014	0785034	0870013	1323115	1920108	3200003	4003090	4003220	4003409	4009142	4009340	5011408	5094003
5094004	6000277	6000385	8003802	9003230	9003661	9003859	2011012	000S928	000V018	00D1889	00D3090	00D8151

**STATE OF ILLINOIS**  
**Schedule of Findings and Questioned Costs**  
**Table of Award Numbers**  
**Year Ended June 30, 2016**

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number (All Open Award Years)												
5099070	6000280	6000386	8003810	9003233	9003673	9003868	2011013	000S929	000V019	00D1892	00D3095	00D8156
5099080	6000281	6000387	8003816	9003244	9003674	9003871	2011015	000S931	000V020	00D1893	00D4105	00D8162
5099104	6000282	6000389	8003832	9003258	9003677	9003875	2011017	000S933	000V021	00D1895	00D4113	00D8164
5099107	6000284	6000397	8003839	9003263	9003685	9003883	2011025	000S934	000V026	00D1902	00D4115	00D8179
5099109	6000288	6000398	8003847	9003266	9003689	9003885	2011029	000S935	000V028	00D1903	00D4119	00D8180
5099110	6000290	6000399	8003848	9003272	9003692	9003886	2012001	000S938	000V029	00D1904	00D4121	00D8186
5099111	6000294	6000400	8003851	9003275	9003693	9003889	2012002	000S940	000V030	00D1906	00D4127	00D8188
5099112	6000296	6000405	8003857	9003280	9003696	9003892	2012003	000S941	000V031	00D1911	00D4128	00D8202
5099114	6000298	6000410	8003867	9003294	9003697	9003894	2012005	000S942	000V032	00D1914	00D5097	00D8213
5146064	6000299	6000412	8003894	9003295	9003699	9003896	2013054	000S943	000V034	00D1917	00D5099	00D8217
5146079	6000300	6000418	8003922	9003297	9003700	9003902	2013057	000S945	000V037	00D1918	00D5100	00D8836
5146080	6000301	6000425	8003965	9003325	9003701	9003903	000S549	000S946	000V038	00D1925	00D5102	00D9097
5146082	6000302	6000426	8003971	9003348	9003702	9003907	000S558	000S947	000V039	00D1926	00D5109	00D9101
5146088	6000303	6000427	8003979	9003435	9003706	9003909	000S594	000S951	000V042	00D1930	00D5110	00D9105
5169046	6000304	6000438	8003995	9003464	9003708	9003922	000S610	000S952	000V043	00D1937	00D5111	00D9114
5169049	6000305	6000440	8003998	9003482	9003711	9003923	000S658	000S953	000V044	00D1940	00D5115	00D9115
5169050	6000307	6000443	8012014	9003484	9003717	9003928	000S679	000S954	000V047	00D1941	00D6085	00D9122
5181049	6000311	6000460	8136002	9003485	9003727	9003929	000S688	000S955	000V049	00D1943	00D6093	00D9123
5181050	6000316	6000463	8159001	9003488	9003735	9003930	000S692	000S957	000V051	00D1944	00D6094	00DC027
5181051	6000321	6000464	8173001	9003492	9003737	9003934	000S695	000S958	00D1011	00D1945	00D6102	00DC053
5227049	6000323	6000468	8379001	9003494	9003738	9003937	000S703	000S959	00D1017	00D1948	00D6103	00DC139
5227056	6000324	6003881	8956004	9003495	9003739	9003939	000S704	000S961	00D1639	00D1952	00D6104	00HB001
5227057	6000325	6658004	9003009	9003496	9003740	9003940	000S824	000S962	00D1653	00D1953	00D6107	00V0010
5314001	6000326	7003716	9003010	9003504	9003742	9003943	000S826	000S963	00D1664	00D1956	00D6110	01D1004
5756004	6000327	7810001	9003015	9003506	9003743	9003948	000S839	000S981	00D1667	00D1960	00D6114	02IL009
5789006	6000328	7825005	9003017	9003510	9003744	9003950	000S845	000S982	00D1673	00D1965	00D6115	08IL026
6000102	6000334	7968001	9003021	9003517	9003745	9003951	000S850	000S983	00D1733	00D1968	00D6117	16ST001
6000114	6000335	8003032	9003027	9003520	9003749	9003952	000S851	000S984	00D1763	00D1971	00D6118	D400114
6000130	6000336	8003042	9003055	9003527	9003750	9003954	000S856	000S985	00D1768	00D1973	00D6119	IL04007
6000133	6000337	8003043	9003060	9003531	9003752	9003955	000S860	000S986	00D1782	00D1980	00D6120	IL05004
6000166	6000339	8003051	9003063	9003533	9003757	9003959	000S868	000S987	00D1783	00D1983	00D6122	IL06016
6000167	6000344	8003060	9003064	9003541	9003765	9003964	000S871	000S988	00D1796	00D1986	00D7027	IL08021
6000171	6000345	8003095	9003073	9003543	9003770	9003969	000S876	000S989	00D1798	00D1993	00D7035	IL08030
6000173	6000346	8003302	9003074	9003555	9003774	9003975	000S878	000S990	00D1805	00D1998	00D7040	IL08031
6000193	6000349	8003309	9003075	9003558	9003780	9003976	000S880	000S991	00D1815	00D2090	00D7045	IL09020
6000197	6000350	8003348	9003083	9003560	9003790	9003979	000S881	000S992	00D1817	00D2116	00D7046	IL09025
6000201	6000351	8003382	9003099	9003561	9003799	9003991	000S888	000S994	00D1818	00D2117	00D7058	IL09028
6000213	6000352	8003404	9003103	9003572	9003800	9003992	000S890	000S995	00D1822	00D2145	00D7059	IL09031
6000215	6000353	8003407	9003107	9003581	9003805	9003994	000S899	000S997	00D1825	00D2150	00D7060	IL09032
6000216	6000355	8003426	9003108	9003589	9003807	9003995	000S901	000S998	00D1833	00D2152	00D7061	IL09033
6000218	6000359	8003453	9003111	9003596	9003815	9003997	000S903	000S999	00D1838	00D2156	00D7062	IL09034
6000231	6000360	8003473	9003112	9003598	9003817	9003998	000S906	000V001	00D1839	00D2157	00D7063	IL09040
6000238	6000363	8003474	9003126	9003599	9003820	9009910	000S907	000V002	00D1840	00D2158	00D7064	IL09045
6000240	6000364	8003492	9003130	9003612	9003821	9128005	000S908	000V004	00D1845	00D3055	00D7065	IL10001
6000241	6000366	8003520	9003135	9003614	9003824	9166002	000S910	000V006	00D1846	00D3056	00D7066	IL10005
6000242	6000367	8003543	9003137	9003615	9003829	9166019	000S911	000V010	00D1854	00D3063	00D7067	IL10102
6000244	6000368	8003562	9003139	9003619	9003830	9183001	000S913	000V011	00D1856	00D3066	00D7068	IL11002
6000257	6000369	8003625	9003141	9003620	9003831	9189004	000S915	000V012	00D1857	00D3067	00D7069	IL11005
6000260	6000370	8003627	9003164	9003623	9003835	9251011	000S916	000V013	00D1858	00D3068	00D7070	IL12001
6000264	6000373	8003637	9003165	9003627	9003838	9481003	000S917	000V016	00D1861	00D3073	00D7073	IL12006
6000265	6000374	8003661	9003179	9003631	9003841	9588003	000S918	000V010	00D1865	00D3074	00D8110	IL12102
6000266	6000375	8003740	9003185	9003634	9003851	9760001	000S920	000V011	00D1869	00D3076	00D8137	
6000267	6000376	8003748	9003201	9003636	9003852	2008010	000S923	000V012	00D1870	00D3082	00D8141	
6000270	6000377	8003799	9003202	9003637	9003854	2009010	000S924	000V013	00D1872	00D3084	00D8145	
6000271	6000383	8003800	9003204	9003647	9003855	2009012	000S926	000V016	00D1887	00D3086	00D8146	
6000274	6000384	8003801	9003205	9003658	9003856	2011007	000S927	000V017	00D1888	00D3088	00D8147	



**STATE OF ILLINOIS**  
 Schedule of Findings and Questioned Costs  
 Table of Award Numbers  
 Year Ended June 30, 2016

**Name of Federal Program or Cluster (CFDA #)**

**Title I, Part A Cluster (84.010):**

**Award Number (Federal Fiscal Year/Award Year)**

S010A130013 (2013)                      S010A140013 (2013)                      S010A150013 (2015)

**Special Education Cluster (84.027/84.173):**

**Award Number (Federal Fiscal Year/Award Year)**

H027A130134 (2013)                      H027A140072 (2014)                      H027A150072 (2015)

**Federal Family Education Loan Program (84.032G):**

**Award Number (Federal Fiscal Year/Award Year)**

None

**Career and Technical Education (84.048):**

**Award Number (Federal Fiscal Year/Award Year)**

V048A130013 (2013)                      V048A140013 (2014)                      V048A150013 (2015)

**Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):**

**Award Number (Federal Fiscal Year/Award Year)**

H126A150018 (2015)                      H126A160018 (2016)

**Twenty-First Century Community Learning Centers (84.287):**

**Award Number (Federal Fiscal Year/Award Year)**

S287C130013 (2013)                      S287C140013 (2014)                      S287C150013 (2015)

**Improving Teacher Quality State Grants (84.367):**

**Award Number (Federal Fiscal Year/Award Year)**

S367A130012 (2013)                      S367A140012 (2014)                      S367A150012 (2015)

**School Improvement Grants (84.377/84.388ARRA):**

**Award Number (Federal Fiscal Year/Award Year)**

S377A090014 (2009)                      S377A100014 (2010)                      S377A110014 (2011)                      S377A120014(2012)  
 S377A130014 (2013)                      S388A090014(2009)

**Aging Cluster (93.044/93.045/93.053)**

**Award Number (Federal Fiscal Year/Award Year)**

14AAILT3SS (2014)                      14AAILT3CM (2014)                      14AAILT3HD (2014)  
 15AAILT3SS (2015)                      15AAILT3CM (2015)                      15AAILT3HD (2015)                      15AAILNSIP (2015)  
 16AAILT3SS (2016)                      16AAILT3CM (2016)                      16AAILT3HD (2016)                      16AAILNSIP (2016)

**State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525):**

**Award Number (Federal Fiscal Year/Award Year)**

HBEIE120116 (2012)                      HBEIE130158 (2013)                      HBEIE150217 (2015)

**Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA):**

**Award Number (Federal Fiscal Year/Award Year)**

1502ILTANF (2015)                      1602ILTANF (2016)

**Child Support Enforcement (93.563):**

**Award Number (Federal Fiscal Year/Award Year)**

05-1404IL4005 (2014)                      05-1504ILCSES (2015)                      05-1604ILCSES (2016)                      05-1604ILCEST (2016)

**Child Care Development Fund Cluster (93.575/93.596):**

**Award Number (Federal Fiscal Year/Award Year)**

G1501ILCCDF (2015)                      G1601ILCCDF (2016)

**Child Welfare Services - State Grants (93.645):**

**Award Number (Federal Fiscal Year/Award Year)**

G-1501ILCWSS (2016)                      G-1601ILCWSS (2016)

**Foster Care - Title IV-E (93.658/93.658ARRA):**

**Award Number (Federal Fiscal Year/Award Year)**

1501ILFOST (2015)                      1601ILFOST (2016)

**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 #)**

**Adoption Assistance (93.659):**

**Award Number (Federal Fiscal Year/Award Year)**

1501ILADPT (2015)	1601ILADPT (2016)
-------------------	-------------------

**Social Services Block Grant (93.667):**

**Award Number (Federal Fiscal Year/Award Year)**

G1501ILSOSR (2015)	G1601ILSOSR (2016)
--------------------	--------------------

**Children's Health Insurance Program (93.767):**

**Award Number (Federal Fiscal Year/Award Year)**

05-1405IL5021 (2014)	05-1505IL5021 (2015)	05-1505IL1081 (2015)
----------------------	----------------------	----------------------

**Medicaid Cluster (93.775/93.777/93.778/93.778ARRA):**

**Award Number (Federal Fiscal Year/Award Year)**

05-1505IL5ADM (2015)	05-1605IL5ADM (2016)	05-1505ILIMPL (2015)	05-1605ILIMPL (2016)
05-1505ILINCT (2015)	05-1605ILINCT (2016)	05-1505IL5MAP (2015)	05-1605IL5MAP (2016)
05-1505ILBIPP (2015)	05-1605ILBIPP (2016)		

**HIV Care Formula Grants (93.917):**

**Award Number**

6X08HA28022-01-00	6X07HA00013-23-04	6X09HA26780-01-02
-------------------	-------------------	-------------------

**Block Grants for Prevention and Treatment of Substance Abuse (93.959):**

**Award Number (Federal Fiscal Year/Award Year)**

3B08TI010018-14 (2014)	3B08TI010018-15 (2015)	2B08TI010018-16 (2016)
------------------------	------------------------	------------------------

**Social Security - Disability Insurance (96.001):**

**Award Number (Federal Fiscal Year/Award Year)**

1104ILDI00 (2011)	1204ILDI00 (2012)	1304ILDI00 (2013)	1404ILDI00 (2014)
1504ILDI00 (2015)	1604ILDI00 (2016)		