



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

Compliance Examination
 For the Two Years Ended June 30, 2017

Release Date: July 10, 2018

FINDINGS THIS AUDIT: 26				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	13	3	16	2016	3		
Category 2:	6	4	10	2015	8, 11	22, 24	
Category 3:	0	0	0	2013		19	
TOTAL	19	7	26	2005		21	
FINDINGS LAST AUDIT: 12							

INTRODUCTION

The digest covers our Compliance Examination of the Department for the two years ended June 30, 2017. A separate Financial Audit as of and for the year ended June 30, 2017, was previously released on March 20, 2018. In total, this report contains 26 findings, 13 of which were reported in the Financial Audit.

SYNOPSIS

- **(17-14)** The Department of Healthcare and Family Services entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.
- **(17-15)** The Department of Healthcare and Family Services and the Department of Human Services did not have adequate controls to ensure the social security information of applicants for human services programs was sufficiently supported.

- Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
- Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
- Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

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

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS (expressed in thousands)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Total Expenditures.....	\$ 18,742,877	\$ 17,947,774	\$ 17,966,754
OPERATIONS TOTAL.....	\$ 869,041	\$ 847,005	\$ 980,931
% of Total Expenditures.....	4.6%	4.7%	5.5%
AWARDS AND GRANTS.....	\$ 17,873,836	\$ 17,100,769	\$ 16,985,823
% of Total Expenditures.....	95.4%	95.3%	94.5%
Total Receipts.....	\$ 15,033,524	\$ 15,472,475	\$ 15,109,264
Average Number of Employees (Unaudited).....	1,913	1,982	2,084

SELECTED ACTIVITY MEASURES	2017	2016	2015
Adjudication Processing Time Elapsing in Calendar Days (Unaudited).....	18 days	14.3 days	15.6 days

AGENCY DIRECTOR
During Examination Period: Ms. Felicia Norwood (through 6/15/18)
Currently: Ms. Teresa Hursey, Interim Acting Director (effective 6/16/18)

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**NONCOMPLIANCE WITH THE STATE OF ILLINOIS’
CONSTITUTION**

**Interagency agreement
circumvented agency reorganization
provisions**

The Department of Healthcare and Family Services (Department) entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois’ Constitution.

**Department and Authority entered
into interagency agreement on
September 23, 2016**

During testing, we noted the Department, Office of the Governor, and the Illinois Health Information Exchange Authority (Authority) entered into an interagency agreement on September 23, 2016, for the “transitioning of management of duties from the Authority to [the Department].” This interagency agreement included the following terms:

- The Section 2.03 noted all of the Authority's remaining staff "shall ultimately report to, and be under the management control of, the [Department's] Chief Operating Officer/Chief of Staff."
- Section 3.02 required the Authority to designate the Department as its fiscal agent for the purposes of distributing moneys from the Health Information Exchange Fund and may, at the Department’s discretion, deposit future moneys received into the Health Information Exchange Fund.
- Section 3.03 required the Authority to designate the signature authority of its Executive Director “in its entirety” to the Department’s Director.

**Authority’s existence as standalone
entity ended**

In practicality, this interagency agreement ended the Authority’s existence as an independent, standalone entity and reorganized the functions of the Authority into the Department. We noted this change would contravene the provisions of the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), which created the Authority as “an instrumentality and an administrative agency of the State.”

The Constitution (Article V, Section 11) allows the Governor, by Executive Order, to reassign functions among or reorganize executive agencies directly responsible to the Governor. If the reassignment or reorganization contravenes a statute, the Executive Order must be delivered to the General Assembly. After the Governor complies with the delivery provisions of the Constitution, the General Assembly has 60 calendar days after the delivery of the Executive Order to have one house, by a record vote, disapprove of the reassignment or reorganization to prohibit the reassignment or reorganization from occurring. (Finding 14, pages 47-48)

We recommended the Department work with the Governor and the General Assembly to provide certainty as to the legal status of the Authority.

Department accepted the recommendation

The Department accepted the recommendation and stated it will work with the Governor and General Assembly to provide certainty as to the legal status of the Authority.

APPLICANT SOCIAL SECURITY INFORMATION IN IES NOT SUFFICIENTLY SUPPORTED

Social security information not supported in IES

The Department of Healthcare and Family Services and the Department of Human Services (Departments) did not have adequate controls to ensure the social security information of applicants for human services programs was sufficiently supported.

The Departments have shared responsibility for various human service programs in the State, including the intake, processing, and approval of applications for benefits. The Departments have shared responsibility for internal control over manual and automated processes relating to eligibility for these programs.

164 approved applicants had applied for services after date of death

As part of our testing of the Integrated Eligibility System (IES), we compared the applications approved utilizing IES to the Social Security Administration (SSA) Master Death Records. We noted 164 approved applicants had applied for services after the date of death associated with the Social Security Number (SSN) the applicant had provided. In addition, we noted 39 approved applicants had death dates associated with the SSN the applicants had provided that were prior to their birth dates within IES.

For 5 of 5 cases reviewed, it appears the cause of the approval was a result of caseworker override

As part of the IES clearance process, the applicant's SSN is matched to the SSA in order to determine if the SSN is valid. We reviewed case information within IES for a sample of five cases, noting the case information documented the applicant's SSN as not being valid. However, it appeared each case had been overridden by the caseworker, thus allowing services. As a result, the Departments incurred expenditures of \$983,656 for applicants that may not have been eligible for the benefits received. (Finding 15, page 49)

We recommended the Department of Healthcare and Family Services work with the Department of Human Services to improve controls over caseworker involvement by refining supervisory oversight to confirm all applications are properly approved and caseworkers are properly obtaining and retaining documentation in IES to support eligibility. In addition, we recommended the Departments seek reimbursement for improper payments.

Departments accepted the recommendation

The Departments accepted the recommendation and stated over 1 million applications were approved using the IES system during FY16 and FY17. The 203 cases (0.019%) identified as having a social security number in question were entered into the system manually and appear to have been entered incorrectly and these cases will be corrected and any improper payments identified will be recouped. The Departments also stated HFS will discuss with IDHS whether more stringent edits or approvals should be implemented to eliminate the approval of cases with incorrect social security numbers.

OTHER FINDINGS

The remaining findings are reportedly being given attention by Department personnel. We will review the Department's progress towards the implementation of our recommendations in our next Audit/Examination.

AUDITOR'S OPINION

The financial audit report was previously released. The auditors stated the financial statements of the Department as of and for the year ended June 30, 2017, are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State Compliance for Findings 2017-001 through Finding 2017-016. Except for the noncompliance described in these findings, the accountants state the Department complied, in all material respects, with the requirements described in the report.

The financial audit and this compliance examination was performed by Sikich LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JV