



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

Financial Audit
 For the Year Ended June 30, 2020

Release Date: June 30, 2021

FINDINGS THIS AUDIT: 11	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	8	11	2019	5, 6		
Category 2:	0	0	0	2018	7, 8		
Category 3:	0	0	0	2017	2, 3		
TOTAL	3	8	11	2015	1, 9		
FINDINGS LAST AUDIT: 11							

SYNOPSIS

- (20-01) The Departments (HFS and DHS) lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).
- (20-02) The Departments (HFS and DHS) did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely.
- (20-08) The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) and the Department of Children and Family Services (DCFS) establishing adequate internal controls over operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). In addition, HFS failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.
- (20-11) The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate and lacked adequate internal control over reporting its census data.

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.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2020

FINANCIAL INFORMATION - Governmental Funds (in thousands)	FY 2020	FY 2019
REVENUES		
Program revenue: charges for service.....	\$ 71,563	\$ 32,000
Program revenue: operating grants.....	15,456,556	12,380,653
General revenue: taxes, interest and other.....	3,555,296	2,121,331
Total revenue.....	<u>19,083,415</u>	<u>14,533,984</u>
EXPENDITURES		
Health and social services.....	21,503,644	18,619,881
Debt service - principal.....	147	86
Debt service - interest.....	40	23
Capital outlays	6,489	14,237
Total expenditures.....	<u>21,510,320</u>	<u>18,634,227</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	8,104,208	8,201,356
Transfers in.....	28,320	27,000
Transfers out.....	(68,320)	(67,000)
Receipts collected & transmitted to the State Treasury.....	(3,676,417)	(3,717,240)
Lapsed appropriation.....	(2,165,660)	2,907,973
Other.....	27,744	20,210
Total other sources (uses).....	<u>2,249,875</u>	<u>7,372,299</u>
Increase in fund balance.....	(177,030)	3,272,056
Fund balance, July 1, as restated.....	(188,173)	(3,460,229)
Fund balance, June 30.....	\$ (365,203)	\$ (188,173)
SELECTED ACCOUNT BALANCES - June 30,		
Governmental Funds (in thousands)	FY 2020	FY 2019
ASSETS		
Cash and cash equivalents & investments.....	\$ 789,743	\$ 2,045,583
Due from other governments - federal & local.....	2,463,884	1,848,777
Loans, taxes and other receivables, net.....	1,050,061	568,628
Due from other Department and State funds.....	220,195	246,929
Total assets.....	<u>\$ 4,523,883</u>	<u>\$ 4,709,917</u>
LIABILITIES		
Accounts payable and other liabilities.....	\$ 2,475,282	\$ 2,742,430
Unearned revenue.....	-	-
Obligations under securities lending of State Treasurer.....	98,256	155,449
Due to other funds - State, federal, local & Department.....	983,094	871,320
Total Liabilities.....	<u>3,556,632</u>	<u>3,769,199</u>
DEFERRED INFLOWS OF RESOURCES	1,332,454	1,128,891
FUND BALANCE.....	(365,203)	(188,173)
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 4,523,883	\$ 4,709,917
DIRECTOR		
During Audit Period through Current: Ms. Theresa Eagleson		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER ELIGIBILITY DETERMINATIONS AND REDETERMINATIONS

Inadequate internal controls over eligibility determinations

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).

The Departments’ Integrated Eligibility System (IES) is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, redetermination, Midpoint Reports and maintenance items, in order to determine eligibility and make payments for the State’s human service programs.

21.7% of cases tested did not have adequate documentation of proper certification

In order to conclude if the determination of eligibility was proper, we selected a sample of 60 cases (30 new applications and 30 redeterminations) and tested whether the cases were properly certified (approved or denied) based on non-financial, financial and timeliness criteria. Our testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 13 of the 60 cases tested (21.7%), we noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification. (Finding 1, pages 55-57)

We recommended management of the Departments work together to implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, complete certifications of applications and redeterminations timely and correct IES application errors.

HFS accepted the recommendation

HFS accepted the recommendation and stated it will work with DHS to develop policy guidance to remind eligibility workers of verification requirements, update and distribute training materials to clearly communicate and reinforce verification requirements and correct the medical processing errors noted.

UNTIMELY PROCESSING OF APPLICATIONS FOR BENEFITS, REDETERMINATIONS OF ELIGIBILITY FOR BENEFITS, AND ELIGIBILITY CHANGE DOCUMENTATION

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) did not maintain adequate internal control to ensure change documentation and applications for benefits and

Applications and redeterminations were not reviewed and approved or denied within mandated timeframes

redeterminations of eligibility for benefits were reviewed and/or completed timely.

As part of our audit procedures, we tested the Departments' compliance with the federal time requirements for approving or denying applications, conducting redeterminations, and working any changes communicated by recipients for the SNAP, TANF, and Medical programs.

Backlog of 70,466 change documents as of June 30, 2020

- For change documentation (a/k/a maintenance) – when a recipient encounters a change in their situation, which may have an impact on eligibility, the recipient is to notify the Departments of such change. As of June 30, 2020, the Departments had a backlog of 70,466 cases in which information had been received; however, not reviewed. Because the information had not been reviewed, the Departments did not know the program(s) which might be impacted. As such, we were unable to determine the timeliness of processing the information.

Backlog of 35,931 applications as of June 30, 2020

- For initial applications – At June 30, 2020, the Departments had a backlog of 20,511 medical applications, 4,208 SNAP applications, and 2,223 TANF applications, for which the determination of eligibility to receive benefits was not completed timely. Additionally, there were 8,989 applications in which the applicant did not specify the program; therefore, we were unable to determine the timeliness of the application.

Backlog of 881 SNAP/TANF redeterminations as of June 30, 2020

- For redeterminations - As of June 30, 2020, DHS had not timely redetermined the eligibility of 881 SNAP and/or TANF recipients to continue receiving benefits upon receipt of redetermination information from the recipient. In addition, DHS had received redetermination information from 1,145 SNAP and/or TANF recipients; however, due to a defect within IES, the date the information was received was not documented. Because the received date was missing, we were unable to determine the timeliness of these redeterminations. (Finding 2, pages 58-59)

We were unable to determine timeliness of 1,145 backlogged redeterminations

We recommended the Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 or 30 days, as applicable, and the Departments establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely along with any change documentation received.

HFS accepted the recommendation and stated it will work with DHS to maintain eligibility staffing levels to assure continued

HFS accepted the recommendation

reductions in applications pending over 45 days and to be prepared to handle work associated with, once again, sending redeterminations forms after the public health emergency ends. If necessary, HFS stated it will develop additional strategies based on Federal CMS guidance to the State regarding requirements for resuming full redetermination processing at the end of the public health emergency.

INSUFFICIENT REVIEW AND DOCUMENTATION OF PROVIDER ENROLLMENT DETERMINATIONS AND FAILURE TO EXECUTE INTERAGENCY AGREEMENT

Failure to establish and implement controls over IMPACT

The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) and the Department of Children and Family Services (DCFS) establishing adequate internal controls over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). In addition, HFS failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.

Insufficient review of enrollment determinations

HFS' and DHS' Roles

As set by the State of Illinois' State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State's designated agency responsible for administering and supervising the administration of the Medicaid Program is HFS. However, Section 1.1 of the State Plan allows for HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery) services. DCFS administers the State's child welfare program which includes cooperating in the establishment of Medicaid eligibility for children who are wards of the State.

Auditor Testing and Results

Interagency Agreements

The auditors noted HFS did not enter into or have existing IAs with DHS defining each agency's roles and responsibilities as they related to IMPACT during fiscal year 2020.

HFS did not have IAs defining roles and responsibilities

Further, the auditors noted HFS did not enter into or have existing IAs with DCFS defining each agencies' roles and responsibilities as they related to IMPACT during fiscal years 2019 and 2020.

Detail Sample Testing of IMPACT Providers at HFS

During fiscal year 2020, 26,113 provider enrollment applications were approved in IMPACT. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 60 approved applications were selected for testing. The testing results were as follows:

28% of applications test did not contain documentation of review over professional licenses/board certifications were valid

Seventeen (28%) approved provider applications did not contain documentation to substantiate a review of the provider's required professional license or board certification to confirm the licenses/certifications were valid at the time the application was approved.

Request for backdating of enrollment was unsupported

One (2%) approved provider application included a request for the State to backdate their enrollment beginning date. However, the provider's file did not contain documentation of HFS' or the program's applicable State agency's reason for allowing an exception and thereby backdating the provider's enrollment. As a result, the auditors could not determine if the backdating of enrollment, and the subsequent payments were proper.

Detail Sample Testing of IMPACT Providers at DHS and DCFS

Additional testing results at DHS and DCFS can be found in their respective Financial Statement Audit Reports

In addition to the detailed testing of IMPACT provider files conducted at HFS noted above, the Office of the Auditor General's Special Assistant Auditors for the DHS and DCFS fiscal year 2020 engagements also performed procedures to determine if the providers' applications were approved in accordance with the applicable State agency's program specific requirements. For findings resulting from those procedures, please refer to DHS' Financial Statement Audit Report for the year ended June 30, 2020 (Finding 2020-011), and DCFS' Financial Statement Audit Report for the year ended June 30, 2020 (Finding 2020-005). (Finding 8, pages 72-74)

We recommended HFS management work with DHS and DCFS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, we recommended HFS work with DHS and DCFS to execute detailed interagency agreements which document specific roles and responsibilities as they relate to IMPACT.

HFS accepted the recommendation

HFS accepted the recommendation and stated it will work with DHS to ensure provider applications and documentation are thoroughly reviewed at the initial enrollment and at revalidations. HFS also stated an interagency agreement was drafted on April 1, 2020 and is in the process of being finalized and that DHS management stated dedicated inboxes will also be implemented to ensure that provider issues received from

HFS are expeditiously addressed. Lastly, HFS stated the IGA with DCFS is complete and awaiting signature.

INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA

The Department of Healthcare and Family Services' (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate, and lacked adequate internal control over reporting its census data.

Census data reconciliation not performed

During testing, we noted the Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data.

Lack of adequate controls over reporting of Census data

Additionally, we noted two of 120 (2%) employees tested had type code change events within their records at CMS, such as changes from leave of absence codes, coverage opt outs, and changes in life insurance coverage, which lacked support within the Department's records. We considered the impact of these discrepancies and determined they did not materially impact the Department's financial statements. (Finding 11, pages 79-80)

We recommended the Department implement controls to ensure reportable events are timely and accurately transmitted to CMS. Further, we recommended the Department work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

HFS accepted the recommendation

The Department accepted the recommendation and stated it is confident the risk of reportable events not being timely and accurately reported to CMS is minimal and that it will be collaborating with CMS and SERS to develop an annual reconciliation process for active members' census data.

OTHER FINDINGS

The remaining findings pertain to insufficient internal controls over changes to IES and recipient data, inadequate access review procedures for IES, inadequate disaster recovery controls over the IES, insufficient detailed agreement with the Department of Innovation & Technology, inadequate general information technology controls over IMPACT, inadequate controls over review of service providers, and miscalculations of C-97 reporting. We will review the Department's progress

towards the implementation of our recommendations in our next financial audit.

AUDITOR’S OPINION

The auditors stated the financial statements of the Department of Healthcare and Family Services as of and for the year ended June 30, 2020 are fairly stated in all material respects.

This financial audit 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

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