DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

Financial Audit   **Release Date: June 22, 2022**
 For the Year Ended June 30, 2021

FINDINGS THIS AUDIT: 8				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	**Repeated Since**	**Category 1**	**Category 2**	**Category 3**
Category 1:	**0**	**7**	**7**	2020	**2**	8	
Category 2:	**0**	**1**	**1**	2019	**3, 4**		
Category 3:	**0**	**0**	**0**	2018	**5, 6**		
TOTAL	**0**	**8**	**8**	2017	**1**		
				2015	**7**		
FINDINGS LAST AUDIT: 11							

SYNOPSIS

- (**21-01**)   The Departments (HFS and DHS) had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

- (**21-05**)   The Departments (HFS and DHS) failed to establish and maintain adequate general information technology internal controls (general IT controls) over the operation of the State of Illinois' Illinois Medicaid Program Advanced Technology system (IMPACT).

- (**21-06**)   The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) 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.

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.

FINANCIAL INFORMATION - Governmental Funds (in thousands)	FY 2021	FY 2020
REVENUES		
Program revenue: charges for service..	$ 95,937	$ 71,563
Program revenue: operating grants...	18,039,797	15,456,556
General revenue: taxes, interest and other...	3,668,222	3,555,296
Total revenue..	21,803,956	19,083,415
EXPENDITURES		
Health and social services..	25,535,325	21,503,644
Debt service - principal..	266	147
Debt service - interest..	27	40
Capital outlays	10,697	6,489
Total expenditures..	25,546,315	21,510,320
OTHER SOURCES (USES)		
Appropriations from State resources...	9,296,184	8,104,208
Transfers in...	31,245	28,320
Transfers out..	(71,070)	(68,320)
Receipts collected & transmitted to the State Treasury.......................	(4,492,503)	(3,676,417)
Lapsed appropriation...	(454,163)	(2,165,660)
Other...	45,291	27,744
Total other sources (uses)...	4,354,984	2,249,875
Increase in fund balance...	612,625	(177,030)
Fund balance, July 1...	(365,203)	(188,173)
Fund balance, June 30..	$ 247,422	$ (365,203)

SELECTED ACCOUNT BALANCES - June 30, Governmental Funds (in thousands)	FY 2021	FY 2020
ASSETS		
Cash and cash equivalents & investments...	$ 996,387	$ 789,743
Due from other governments - federal & local......................................	1,563,188	2,463,884
Loans, taxes and other receivables, net...	1,316,529	1,050,061
Due from other Department and State funds...	137,948	220,195
Total assets...	$ 4,014,052	$ 4,523,883
LIABILITIES		
Accounts payable and other liabilities..	$ 1,153,055	$ 2,475,282
Unearned revenue..	237,396	-
Obligations under securities lending of State Treasurer......................	255,905	98,256
Due to other funds - State, federal, local & Department.......................	1,205,331	983,094
Total Liabilities...	2,851,687	3,556,632
DEFERRED INFLOWS OF RESOURCES	914,943	1,332,454
FUND BALANCE...	247,422	(365,203)
TOTAL LIABILITIES AND FUND BALANCE...................................	$ 4,014,052	$ 4,523,883

DIRECTOR
During Audit Period and Currently: Ms. Theresa Eagleson

INSUFFICIENT INTERNAL CONTROLS OVER
CHANGES TO THE IES AND RECIPIENT DATA

Insufficient internal controls over changes to IES and recipient data

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

Change control is the systematic approach to managing changes to an IT environment, application, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

IES Application Changes Policies and Procedures
Our review of the April 20, 2020 IES Change Management Plan (Plan) noted the Plan did not:

IES Change Management Plan did not contain required information

- Define the requirements for the prioritization or classification of changes,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

Additionally, we noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes.

Testing of IES Application Changes
Due to the Plan's limitations noted above, the scope of our audit procedures was limited to the Departments' testing and approval of IES changes prior to placing them into production. Specifically, we could not perform testing on other change management control procedures, which would otherwise be typically tested, as they were not included in the Plan.

Due to the Plan's limitation our scope of auditing was limited

Our testing noted no exceptions during testing of IES application changes. (Finding 1, pages 56-58) **This finding was first reported in 2017.**

We recommended management of both Departments work together to strengthen controls in the Change Management Plan by including:

- Specific requirements for the prioritization or classification of changes,
- Definitions of the numerical grading for determining impact,
- Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation,
- Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required, and
- Requirements for backout plans to return the system to a previous functional version in the event a change moved into production causes undesired results, for individual infrastructure changes.

HFS accepted the recommendation

HFS accepted the recommendation and stated it will work with the Department of Human Services to develop policy guidance that strengthens controls.

INADEQUATE GENERAL INFORMATION TECHNOLOGY CONTROLS OVER IMPACT

Failure to establish and maintain General IT Controls over IMPACT

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") failed to establish and maintain adequate general information technology internal controls (general IT controls) over the operation of the State of Illinois' Illinois Medicaid Program Advanced Technology system (IMPACT).

In calendar year 2012, HFS and the State of Michigan's Department of Community Health entered into an intergovernmental agreement (IGA) for the State of Illinois (State) to utilize Michigan's existing Medicaid Management Information System (MMIS) and its related infrastructure with the goal of replacing the State's MMIS to accommodate the processing of the State's Medicaid provider enrollment determinations and all Medicaid claim payments to such providers. Since 2012, the State has implemented two phases of IMPACT: Electronic Health Record Medicaid Incentive Payment Program (eMIPP) and Provider Enrollment (PE).

An IGA was entered into in 2015 which formally established the Illinois-Michigan Program Alliance for Core Technology. Additionally, the parties agreed to pursue expansion of the Michigan MMIS environment to accommodate the processing of Illinois' Medicaid claims. The IGA required Michigan to extend it current system to utilize cloud architecture that would result in converged infrastructure, maximizing the effectiveness of shared resources, and allowing the shared services to be offered to HFS.

Departments lack access or control over IMPACT and failed to obtain a SOC report over IMPACT

As a result of the Departments not having access to or control over IMPACT and its infrastructure, the auditors requested HFS provide a System and Organization Control (SOC) report which would provide the State and auditors information on the design and effectiveness of internal controls over IMPACT. In response, HFS provided a Security Assessment Report (Report), however, this report did not evaluate the design and implementation of Michigan's internal controls.

Specifically, the Report did not document:

Report lacks required items to sufficiently report internal controls over IMPACT

- Timeframe/period in which the Security Assessment Report covered,
- Independent service auditor's report,
- Details of the testing conducted, and
- Details of Michigan's internal controls as they relate to:
  - Control environment,
  - Risk assessment processes,
  - Information and communication,
  - Control activities, and
  - Monitoring activities.

As a result, the auditors were unable to perform adequate procedures to satisfy themselves that certain general IT controls (change management) to IMPACT were operating effectively during the audit period.

Change Management
As a result of the Departments' failure to obtain a SOC report, as noted above, or conduct their own timely, independent internal control review over changes to IMPACT, data, or the infrastructure, the auditors were unable to determine if changes made during the audit period were proper and approved.

Auditor unable to perform adequate procedures related to Change Management and User Access

User Access Control
The auditors noted HFS included all users, including DHS users, in its annual IMPACT Provider Enrollment Access Review. However, due to no executed intergovernmental agreement between HFS and DHS (see Finding 2021-006), there was no interim user access review completed for DHS. (Finding 5, pages 65-67) **This finding was first reported in 2018.**

We recommended the Departments work with the service provider to obtain assurance the internal controls over IMPACT, data, and the infrastructure, including change control and user access, are adequate. Additionally, until the Departments execute an intergovernmental agreement which addresses all user access testing, we recommended DHS perform periodic user access reviews of all DHS employees with access to IMPACT.

HFS accepted the recommendation

HFS accepted the recommendation and stated a SOC report will be generated and available for the next audit year which will provide HFS with the assurance needed regarding the internal controls over IMPACT.

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

The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) 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.

Failure to establish and implement controls over IMPACT

Insufficient review of enrollment determinations

Interagency Agreements
Auditors noted HFS did not enter into or have an existing IA with DHS defining each agency's roles and responsibilities as they related to IMPACT during fiscal year 2021.

Detail Sample Testing of IMPACT Providers at HFS
During fiscal year 2021, 24,209 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. Our testing noted seven (12%) 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.

12% of applications tested did not contain documentation of review over professional licenses/board certifications were valid

Detail Sample Testing of IMPACT Providers at DHS
During testing, the auditors determined DHS did not solely utilize IMPACT as the official book of record or consistently rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services. Specifically, in fiscal year 2021, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. Upon

completion of those procedures, DHS personnel then entered the providers' information into IMPACT and approved the provider's file in order to grant approval for payment.

In order to determine if DHS provider applications were approved in accordance with federal and State laws/rules/regulations, prior to DHS entering their information into IMPACT, the auditors selected a sample of 60 approved applications for detailed testing and had no exceptions.

Additionally, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During testing, the auditors determined DHS personnel did not regularly follow-up on issues identified in IMPACT during the monthly screenings. (Finding 6, pages 68-70) **This finding was first reported in 2018.**

We recommended HFS management work with DHS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, we recommended HFS work with DHS to execute detailed interagency agreements which document specific roles and responsibilities as they relate to IMPACT. Finally, until the interagency agreement is finalized, we recommended DHS follow-up on issues identified pertaining to their providers, from the IMPACT monthly screenings.

HFS accepted the recommendation

HFS accepted the recommendation and stated the interagency agreement is being finalized. HFS also stated provider enrollment staff works with DHS staff monthly to conduct quality assurance reviews of provider applications approved during previous month and any identified errors are communicated to DHS and corrected.

OTHER FINDINGS

The remaining findings pertain to inadequate access review procedures for IES, inadequate disaster recovery controls over the IES, insufficient detailed agreement with the Department of Innovation and Technology and inadequate interagency agreement for the IES, failure to review third-party service providers' internal controls, and inadequate internal controls over census data. 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, 2021 are fairly stated in all material respects.

This financial audit was performed by Sikich LLP.

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SIGNED ORIGINAL ON FILE
JANE CLARK
Division Director

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

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SIGNED ORIGINAL ON FILE
FRANK J. MAUTINO
Auditor General

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