SIKICH

State of Illinois
Department of Healthcare and Family Services

State Compliance Examination

For the Two Years Ended June 30, 2025

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

State of Illinois
Department of Healthcare and Family Services

STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

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State of Illinois
Department of Healthcare and Family Services

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Department Officials

Director (5/5/26 – Present)	Elizabeth M. Whitehorn
Director (Acting) (1/1/24 – 5/4/26)	Elizabeth M. Whitehorn
Director (7/1/23 – 12/31/23)	Theresa Eagleson
Assistant Director (2/1/25 – Present)	Vacant
Assistant Director (7/1/23 – 1/31/25)	Jenny Aguirre
Deputy Chief of Staff (11/1/24 – Present)*	Aileen Kim
**Position was established 11/1/24*	
Chief of Staff (1/1/24 – Present)	Dana Kelly
Chief of Staff (11/1/23 – 12/31/23)*	Vacant
**Position was established 11/1/23*	
Chief Operating Officer (6/1/24 – Present)	Vacant
Chief Operating Officer (7/1/23 – 5/31/24)	Ben Winick
Chief Internal Auditor	Jamie Nardulli
General Counsel (Interim) (3/6/26 – Present)	Christopher Gange
General Counsel (1/6/25 – 3/5/26)	Kathryn Muse
General Counsel (Interim) (10/16/24 – 1/5/25)	Christopher Gange
General Counsel (3/1/24 – 10/15/24)	Kathleen Hill
General Counsel (7/1/23 – 3/31/24)	Steffanie Garrett
Inspector General (Acting)	Brian Dunn

Deputy Directors

Community Outreach (8/16/24 – Present)	Melishia Bansa
Community Outreach (7/1/23 – 8/15/24)	Vacant
Administrative Operations (11/4/25 – Present)	Vacant
Administrative Operations (7/1/23 – 11/3/25)	Tanya Ford-Davenport
Human Resources (5/1/25 – Present)	Stephanie Snow
Human Resources (11/1/24 – 4/30/25)	Vacant
Human Resources (7/1/23 – 10/31/24)	Terri Shawgo
New Initiatives (7/1/25 – Present)	Vacant
New Initiatives (5/16/24 – 6/30/25)	Laura Phelan
New Initiatives (7/1/23 – 5/15/24)	Vacant
Child Support Services	Bryan Tribble
Finance	Michael Casey

Medical Eligibility (10/16/24 – Present)	Katherine Yager
Medical Eligibility (9/1/24 – 10/15/24)	Vacant
Medical Eligibility (12/10/23 – 8/31/24)	Tracy Keen
Medical Eligibility (Interim) (7/1/23 – 12/9/23)	Tracy Keen
Medical Programs (7/1/25 – Present)	Laura Phelan
Medical Programs (7/1/23 – 6/30/25)	Kelly (Cunningham) Jacobs
Personnel & Admin. Services (7/16/25 – Present)	Brian Spencer
Personnel & Admin. Services (1/1/25 – 7/15/25)	Vacant
Personnel & Admin. Services (Interim) (7/1/23 – 12/31/24)	Ruth Ann Day

Department Offices

The Department's primary administrative offices are located at:

201 South Grand Avenue East	401 South Clinton
Springfield, Illinois 62763	Chicago, Illinois 62607

HFS
Illinois Department of
Healthcare and Family Services

JB Pritzker, Governor
Elizabeth M. Whitehorn, Director

401 South Clinton Street
Chicago, Illinois 60607

Telephone: +1-312-793-4792
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MANAGEMENT ASSERTION LETTER

July 15, 2026

Sikich CPA LLC
3051 Hollis Dr., 3rd Floor
Springfield, IL 62704

Dear Sikich:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Healthcare and Family Services (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, the Department has materially complied with the specified requirements listed below.

The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

E-mail: hfs.webmaster@illinois.gov **Internet:** http://www.hfs.illinois.gov/

Yours truly,

State of Illinois, Department of Healthcare and Family Services

SIGNED ORIGINAL ON FILE

Elizabeth M. Whitehorn, Director

SIGNED ORIGINAL ON FILE

Michael Casey, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Christopher Gange, Acting Legal Officer

E-mail: hfs.webmaster@illinois.gov **Internet:** http://www.hfs.illinois.gov/

State Compliance Report

Summary

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide.*

Accountant's Report

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

Summary of Findings

Number of	Current Report	Prior Reports
Findings	13	25
Repeated Findings	11	16
Prior Recommendations Implemented or Not Repeated	14	13

Schedule of Findings

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2025-001	12	2024/2023	Inadequate Controls Over Eligibility Determinations and Redeterminations	Material Weakness and Material Noncompliance
2025-002	14	2023/2005	Inadequate Controls Over Personal Services	Material Weakness and Material Noncompliance
2025-003	17	2023/2023	Inadequate Controls Over Accounts Receivable	Material Weakness and Material Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2025-004	19	2023/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-005	21	2023/2021	Failure to Establish the Long-Term Services and Supports Workgroup	Significant Deficiency and Noncompliance
2025-006	22	2023/2021	Inadequate Internal Controls Over Required Reporting	Significant Deficiency and Noncompliance
2025-007	24	2023/2017	Voucher Processing Weakness	Significant Deficiency and Noncompliance
2025-008	26	2023/2017	Inadequate Controls Over State Vehicles	Significant Deficiency and Noncompliance
2025-009	28	2023/2023	Noncompliance with the Requirements of the Illinois Insurance Code	Significant Deficiency and Noncompliance
2025-010	29	2023/2023	Inadequate Controls Over Agency Workforce Reports	Significant Deficiency and Noncompliance
2025-011	31	2024/2024	Inadequate Information Technology General Controls	Significant Deficiency and Noncompliance
2025-012	33	New	Failure to Share Leading Indicators	Significant Deficiency and Noncompliance
2025-013	34	New	Inadequate Controls Over Data Protections	Significant Deficiency and Noncompliance

Item No.	Page	Last/First Reported	Description
			Prior Findings Not Repeated
A	35	2024/2017	Inadequate General Information Technology Controls Over IES
B	35	2024/2019	Inadequate Disaster Recovery Controls Over the Integrated Eligibility System (IES)
C	35	2023/2018	Inadequate General Information Technology Controls Over IMPACT
D	36	2023/2018	Insufficient Review and Documentation of Provider Enrollment Determinations
E	36	2024/2022	Financial Statement Preparation Weaknesses
F	36	2023/2023	Failure to Properly Identify Capital Assets in Accordance with Reporting Standards
G	36	2023/2015	Weaknesses in Review of External Service Providers
H	37	2023/2015	Inadequate Controls Over the University of Illinois Hospital Services Fund
I	37	2023/2019	Inadequate Controls Over Managed Care Organization Reporting
J	37	2023/2019	Lack of Agreement to Ensure Compliance with Information Technology Security Requirements
K	37	2024/2019	Lack of Disaster Recovery Testing
L	38	2023/2023	Insufficient Controls over Managed Care Organization (MCO) Contracts
M	38	2023/2023	Lack of Adequate Internal Controls Over Hospital Access Payments

Item No.	Page	Last/First Reported	Description
			Prior Findings Not Repeated
N	38	2023/2023	Noncompliance with the Children and Family Services Act

Exit Conference

The Department waived the exit conference in correspondence from Amy Lyons, External Audit Liaison, on July 6, 2026. The responses to the recommendations were provided by Amy Lyons, External Audit Liaison, in a correspondence dated July 15, 2026.

SIKICH

Certified Public Accountants and Advisors
Members of American Institute of Certified Public Accountants

3051 Hollis Dr., 3rd Floor
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217.793.3363

Independent Accountant's Report on State Compliance and on Internal Control Over Compliance

Honorable Christopher B. Meister
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Healthcare and Family Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2025. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide.* Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2025. As described in the accompanying Schedule of Findings as items 2025-001 and 2025-002, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Furthermore, as described in the accompanying Schedule of Findings as item 2025-003, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2025, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and which are described in the accompanying Schedule of Findings as items 2025-004 through 2025-013.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose

of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2025-001 through 2025-003 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2025-004 through 2025-013 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
July 15, 2026

Schedule of Findings – Current Findings

2025-001 **FINDING** (Inadequate Controls Over Eligibility Determinations and Redeterminations)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over eligibility determinations and redeterminations for federally funded programs where such determination is documented using the Integrated Eligibility System (IES).

Management of the Department has a 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 IES is the automated system used by the Department to intake, process (with the assistance of caseworkers), and approve assistance applications, maintained items, and redeterminations of eligibility, as well as to make payments for the State's human service programs.

In order to conclude if the determination of eligibility was proper, we selected a sample of 60 medical benefit cases (30 new applications and 30 redeterminations) and tested whether the cases were properly certified (approved or denied) based on financial and timeliness criteria.

Our testing considered all the documentation contained within the case file, including scanned documentation supporting caseworker overrides required prior to certification. During testing we noted the following:

- Twelve of 30 new applications (40%) tested did not have the certification completed timely. Certifications were between two and 187 days late.
- Two of 30 redeterminations (7%) tested did not have the certification completed timely. Certifications were 14 and 22 days late.

The Illinois Administrative Code (Code) (89 Ill. Admin. Code 110.20) *Time Limitations On the Disposition Of An Application*, requires the Department to determine the eligibility of applications no later than 60 calendar days for applicants seeking medical assistance on the basis of having a disability and 45 calendar days for all other applicants.

Department management indicated contributing factors for the exceptions noted include caseworker errors, the high volume of work and the complexity of the programs involved.

Noncompliance with the Code could lead to sanctions and/or loss of future federal funding, disallowance of costs, and the requirement to return federal funds previously received. (Finding Code No. 2025-001, 2024-003, 2023-003)

RECOMMENDATION

We recommend the Department strengthen internal controls to complete certification of applications and redeterminations timely.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department continues to hire casework staff to maintain timely processing of applications and redeterminations. HFS continues to utilize a report to identify applications and redeterminations performed outside of the required timeframes. This report provides specific information that assists management on where to focus efforts to improve timeliness. A training was designed to improve proper application of policy for both timeliness and accuracy of cases. This mandatory training is required to be completed annually by all HFS and Department of Human Services eligibility staff. HFS will continue collaborating with the Illinois Department of Human Services to ensure timely processing of applications, redeterminations and change documents received.

2025-002 **FINDING** (Inadequate Controls Over Personal Services)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over personal services.

During our review of the employee population, we noted inconsistencies in reporting active, newly hired, and inactive/terminated employees. The Department provided multiple versions of the populations from different sources, which were not consistent with each other. Due to these inconsistencies, we were unable to conclude the Department's population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AICPA) (AT-C § 205.36).

Even given the population limitations noted above, which hindered our ability to conclude whether the selected sample was representative of the population as a whole, we selected a sample of 60 employees for testing. During our testing, we noted the following:

- One (2%) employee tested did not have a performance evaluation on file for fiscal year 2024.
- Eight (13%) employees tested did not have an evaluation of their performance conducted within four months after the end of their annual evaluation period. We noted these employees' evaluations were conducted between seven and 326 business days after the end of the four-month period to conduct each employee's evaluation.
- Two (3%) employees tested did not complete the required Health Insurance Portability and Accountability Act (HIPAA) training within 30 days of employment. We noted these employees' trainings were completed five and nine calendar days after the end of the 30-day period to complete initial HIPAA trainings.
- One (2%) employee tested did not have a signed statement acknowledging their responsibilities under the Abused and Neglected Child Reporting Act (ANCRA) before commencing their employment to immediately report to the Department of Children and Family Services (DCFS) a child known to them in their professional or official capacities may be an abused or neglected child.
- The Department does not track the required mandated reporter testing under ANCRA. As such, the Department was unable to provide documentation demonstrating the employees (100%) in our sample completed the initial mandated reporter training and/or the training required at least every three years.

This finding was first noted during the Department's fiscal year 2005 State compliance examination, 20 years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270) establishes a system of probationary and annual employee evaluations such that no employee is evaluated not less often than annually on their performance. In addition, the agreement between the State and American Federation of State, County, and Municipal Employees Council 31 (Union Agreement) (Article XXVII, Section 2) states an employee's annual evaluation should be performed within four months of the end of the evaluation year.

The Code of Federal Regulations (45 C.F.R. § 164.530(b)(1)), Security and Privacy, requires training to be completed on the policies and procedures with respect to protected health information. The Department requires HIPAA and Privacy Training to be completed within 30 calendar days of employment.

ANCRA (325 ILCS 5/4(i)) requires persons who enter into employment on and after July 1, 1986, and are mandated by virtue of that employment to report under ANCRA, to sign a statement on a form prescribed by DCFS acknowledging their understanding of their reporting requirements under ANCRA, prior to commencing employment. The Department's Employee Handbook (Section 615.2) states employees of the Department are mandated reporters and requires the Acknowledgment of Mandated Reporter Status to be signed by all staff upon hire. Further, Department management asserted to us its interpretation that all Department employees are considered mandated reporters.

ANCRA (325 ILCS 5/4(j)) requires new employees who are mandated reporters under ANCRA to complete an initial training course on their responsibilities under ANCRA within three months of starting employment and all employees must undergo training at least every three years thereafter.

According to the Attestation Standards of the AICPA (AT-C § 205.36), when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary, obtaining evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated the exceptions identified were caused by human error.

Failure to provide complete and accurate populations to enable testing over its employees could impede the accountant's ability to effectively perform attestation procedures related to employees. Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to document and/or conduct performance evaluations in a timely manner results in noncompliance with the Illinois Administrative Code and the Union Agreement. Further, failure to monitor employees to ensure they take all required training courses results in noncompliance with the Code of Federal Regulations and ANCRA and could result in a workforce which is not adequately trained to meet its statutory duties, including the protection of sensitive patient health information and reporting potentially abused and neglected children. Finally, failure to obtain signed statements acknowledging staff responsibilities under ANCRA could result in staff not understanding their responsibilities and resulted in noncompliance with ANCRA. (Finding Code No. 2025-002, 2023-008, 2021-012, 2019-018, 2017-021, 2015-011, 2013-005, 11-8, 09-5, 08-11, 07-11, 06-6, 05-1)

RECOMMENDATION

We recommend the Department strengthen internal controls to maintain a complete and accurate population of employees, ensure staff members receive timely performance evaluations, properly document performance evaluations, and ensure staff members complete all required training courses. Further, we recommend the Department strengthen internal controls to ensure staff complete the required acknowledgment form documenting their understanding of their mandated reporting responsibilities under ANCRA prior to commencing

employment and implement a tracking process to ensure mandated reporting training is documented.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The multiple versions of population data has been something HFS has been working on for multiple years to address. Completing the statewide transition to ERP SuccessFactors has been a focus to improve data pulls. The Employee Central module has been in the process of being implemented since February 2024. As of June 2026, HFS is now fully compliant with the employee information in this system. This should help to alleviate the population discrepancies. Personnel is in the process of implementing evaluation training for leadership to improve timeliness of evaluations. In addition, Personnel is converting onboarding documents to digital signature software which will help to provide consistent processing of acknowledgement documentation for new employees. Department of Children & Family Services (DCFS) owns the mandated reporter training, and it is outside of HFS' ability to pull reporting from their systems; however, HFS is working to partner with DCFS to meet these reporting requirements.

2025-003 **FINDING** (Inadequate Controls Over Accounts Receivable)

The Department of Healthcare and Family Services (Department) did not have adequate controls over accounts receivable.

During testing of account receivables, we selected a sample of 40 accounts, over 90 days past due, from the Department's Aging of Total Gross Receivables reports (Form C-98) as of June 30, 2025. We noted the following:

- Two (5%) accounts, totaling $738, were not submitted to either the Comptroller's Offset System or sent to be certified as uncollectible. Additionally, the Department did not have documentation it had entered into a deferred payment plan or demonstrated to the Comptroller's satisfaction that referral for offset was not cost effective. Further, the Department did not have documentation demonstrating consideration of certifying the debts as uncollectible.
- Two (5%) accounts were originally identified by auditors as not being properly sent to the Comptroller's Offset System or sent to be certified as uncollectible due pursuant to the Illinois State Collections Act of 1986 or the Uncollected State Claims Act. Upon notification, the Department conducted additional research, and the following weaknesses were noted:
    - One account, totaling $27,667, had a payment received; however, the payment was refunded in error. After our examination procedures, the Department contacted the vendor to request payment with more specific details to appropriately credit the account.
    - One account, totaling $470, was found to have duplicate account numbers, each reflecting the same amount due. The payments received were applied to one account, resulting in the duplicate account still showing a receivable. The Department posted correcting entries to accurately reflect the payments received after notification.

The Illinois State Collections Act of 1986 (30 ILCS 210/5(c-1)) states all debts that exceed $250 and are more than 90 days past due shall be placed in the Comptroller's Offset System, unless the Department has entered into a deferred payment plan or demonstrates to the Comptroller's satisfaction that referral for offset is not cost effective.

The Uncollected State Claims Act (30 ILCS 205/2(c)) states claims or accounts receivable of less than $1,000 may be certified as uncollectible by the Department when the Department determines further collection efforts are not in the best economic interest of the State.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(4)) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to main accountability over the State's resources.

Department management stated the lack of documentation and errors noted were due to oversight and insufficient communication between program and fiscal staff.

Failure to submit account receivable balances to the Comptroller's Offset System or consider the debt as uncollectible results in noncompliance with State law and could result in the State not being able to recover amounts it is owed. Failure to accurately record receivables hinders the Department's ability to accurately determine account receivable balances. (Finding Code No. 2025-003, 2023-009)

RECOMMENDATION

We recommend the Department submit past due accounts receivable to the Comptroller for placement in the Comptroller's Offset System in accordance with the Illinois State Collection Act of 1986 or maintain documentation the Department had entered into a deferred payment plan or demonstrated to the Comptroller's satisfaction that referral for offset was not cost effective. Additionally, where applicable, we recommend the Department certify the accounts as uncollectible when the Department determines further collection efforts are not in the best economic interest of the State in accordance with the Uncollected State Claims Act. Further, we recommend the Department improve its internal controls over accurate recording of accounts receivable.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (Department) accepts the recommendation. Referral of aged receivables to the Comptroller's Offset System requires the originating program area to certify the debt is owed and previous collection efforts have been undertaken. Current Department processes rely on each area to take action to refer their receivables. The Department is working to recruit additional staff to improve monitoring of accounts receivable and advise program staff regarding collections processes. A listing of any receivables exceeding $250 and more than 90 days old that are not submitted to the Comptroller's Offset System will be compiled monthly and forwarded to the responsible Division's Administrator and copied to the Director's Office for follow-up action.

2025-004 **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Department of Healthcare and Family Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department's mission to support the State by empowering Illinois residents to lead healthier and more independent lives by providing adequate access to healthcare coverage at a reasonable cost, and by establishing and enforcing child support obligations, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and medical information of the citizens of the State.

During our examination of the Department's cybersecurity programs, practices, and control of confidential information, we noted the Department:

- Had a risk assessment performed during the engagement period, but it did not identify confidential, personal, and information susceptible to attacks.
- Provided data classifications category descriptions, identified the data classifications, and identified where the data resides (databases, removable media, etc.), but did not provide the detailed steps and procedures of the Department's methodology for determining classifications. As a result, we were unable to determine if the methodology addressed the classification based on risk or the associated protection based on classification. Additionally, although the Department provided the identification of data classifications and where it resides, the documentation provided did not identify that proper safeguards were established based on the data classification to address access permissions, data retention or data destruction.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission. Additionally, stating the frequency of the risk assessment is a requirement of NIST.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Furthermore, generally accepted information technology guidance, including NIST, endorses the development of well-designed and well-managed controls to protect computer systems and data.

Department management stated information in the risk assessment was not identified due to human error. Department management stated the lack of documentation for the data classification methodology and establishment of safeguards was due to competing priorities.

The lack of adequate and Department-specific cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2025-004, 2023-015, 2021-019)

RECOMMENDATION

We recommend the Department ensure a comprehensive risk assessment is performed that identifies confidential, personal, and information susceptible to attacks. Additionally, we recommend the Department document its data classification methodology addressing the classification of data based on risk and the associated protection based on data classification.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department will further mature its Risk Management Program and ensure that information susceptible to attacks is identified and the data classification methodology is documented.

2025-005 **FINDING** (Failure to Establish the Long-Term Services and Supports Workgroup)

The Department of Healthcare and Family Services (Department) did not establish the Long-Term Services and Supports (LTSS) Workgroup (Workgroup) required by the Illinois Public Aid Code (Code) (305 ILCS 5/12-4.48).

During our review of the Department's statutory requirements, we noted the Department did not establish the LTSS Workgroup. As a result, the Department did not perform the duties specifically required under the Code and did not submit the required annual reports to the Governor or General Assembly for fiscal years 2024 or 2025.

The Code (305 ILCS 5/12-4.48) requires:

- the Department to establish a Workgroup of the Medicaid Advisory Committee.
- the Department's Director to appoint the members of the workgroup.
- the Workgroup to meet as often as necessary but not less than 4 times per calendar year.
- the Workgroup to perform a series of duties related to LTSS.
- the Workgroup to report its findings and recommendations to the Governor and General Assembly with annual reports and shall include all documentation of progress made to eliminate disparities in LTSS.

Department management indicated the Workgroup has not been established due to the Department's inability to recruit all the members. The Department further indicated the duties were not fulfilled, including the annual reports, due to the Workgroup not being fully established.

Failure to establish, operate, and complete the required duties of the Workgroup hinders the State's efforts to eliminate disparities in long-term care settings and results in noncompliance with the Code. (Finding Code No. 2025-005, 2023-016, 2021-022)

RECOMMENDATION

We recommend the Department establish the LTSS Disparities Workgroup, perform the statutory duties, and submit the required annual reports.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department plans to establish the LTSS Disparities Workgroup within the work of the newly consolidated Community Integration, Health Equity, and Quality Care Subcommittee of the Medical Advisory Committee (MAC).

2025-006 **FINDING** (Inadequate Internal Controls Over Required Reporting)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over reports and publications required by State law.

During our review of the Department's various statutory reporting requirements, we noted the following:

- The Department did not publish an agreement and an amendment associated with a debt relief coordinator to its website within five business days after it was entered into. The original contract was posted 163 business days late and the amendment was posted 11 business days late.

  The Medical Debt Relief Act (305 ILCS 85/15) requires the Department to establish a Medical Debt Relief Pilot Program to discharge the medical debt of eligible residents. Further, the Department is required to publish on its website any agreement, including amendments and attachments, entered into with a debt relief coordinator within five business days after the agreement or amendment was entered into by the Department.

  Department management stated the delay in publishing the original contract was due to a known amendment in the process of being finalized. The delay in publishing the amendment was due to oversight.

- The Department did not include the details of the hospital assessment adjustment calculations as part of the Department's 2024 annual report submitted to the General Assembly.

  The Illinois Public Aid Code (305 ILCS 5/5A-2(b-7)(3)) requires the Department to submit the details of the hospital assessment adjustment calculation as part of the Department's annual report to the General Assembly.

  Department management indicated the omission of the assessment adjustment calculation was due to transitioning the compilation of information for the report to new staff who were unaware the information was required to be included.

- The Department submitted the following reports to the General Assembly as required; however, the Department was unable to provide support indicating the reports were filed with the State Government Report Distribution Center at the Illinois State Library.
  - Veterans' Health Insurance Program reports for fiscal years 2024 and 2025.
  - Medicaid Accountability Through Transparency Program Annual Reports for fiscal years 2024 and 2025.
  - Office of the Inspector General Annual Report for fiscal year 2025.

  The General Assembly Organization Act (25 ILCS 5/3.1) requires copies of all reports submitted to the General Assembly to be filed with the State Government Report Distribution Center at the Illinois State Library.

  Department management stated the submission of the reports to the State Library was not documented due to employee turnover.

- The Department could not provide a population of its publications. As such, we were unable to determine if the publications were provided to the Illinois State Library for its collections and exchange purposes.

  The State Library Act (15 ILCS 320/21(a)) requires the Department to provide and deposit with the Illinois State Library sufficient copies of all publications issued by the Department for its collection and exchange purposes.

  Department management indicated the population of publications was not kept due to oversight.

Failure to timely publish required information to the Department's website, ensure all information is included in reports submitted to the General Assembly, and file all reports submitted to the General Assembly with the State Government Report Distribution Center could result in concerns about transparency and public accountability, the General Assembly not obtaining relevant information for the oversight of State programs, hindrance of the archival responsibilities of the Illinois State Library, and represents noncompliance with the Department's statutory requirements. Additionally, failure to maintain a complete and accurate population of all publications issued by the Department hinders the Department's ability to ensure all publications are submitted to the Illinois State Library. (Finding Code No. 2025-006, 2023-017, 2021-025)

RECOMMENDATION

We recommend the Department strengthen internal controls to:

- Timely publish statutorily required reports to its website.
- Ensure all required information is included in reports submitted to the General Assembly.
- File all reports submitted to the General Assembly with the State Government Report Distribution Center.
- Maintain a complete and accurate population of all publications issued by the Department to ensure they are deposited with the Illinois State Library for its collection and exchange purposes.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. Since hiring and training new staff members at the end of calendar year 2025, the Department has worked to establish new standard operating procedures to address all recommendations related to statutorily mandated reports. These new procedures are set to go live by mid-August 2026 and be fully implemented by agency staff at the beginning of September 2026.

2025-007 **FINDING** (Voucher Processing Weakness)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over voucher processing.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Department's expenditures data for fiscal years 2024 and 2025 to determine compliance with the Illinois Administrative Code. We noted the Department did not timely approve 7,755 of 178,775 (4%) vouchers processed during the examination period, totaling $319,316,623. We noted these vouchers were approved between 31 and 427 days after receipt of a proper bill or other obligating document.

Additionally, during testing over vouchers across various line items, we noted one of 185 (less than 1%) travel vouchers tested was submitted twice for payment, resulting in a duplicate payment. Payment was made in the amount of $429 to the same individual for the same dates of travel, same mileage, and same expenses. This overpayment had not been recovered as of the date of our testing.

This finding was first noted during the Department's fiscal year 2017 State compliance examination, eight years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 after receipt.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to maintain accountability over the State's resources.

The Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management indicated the exceptions relating to untimely approvals were due to the extensive review process required for invoices. Department management indicated the duplicate payment was due to human error.

Failure to timely process proper bills and approve vouchers for payment represents noncompliance with the Illinois Administrative Code and could lead to unnecessary interest due to the vendors. Failure to identify duplicate voucher submissions could result in improper expenditures of State funds. (Finding Code No. 2025-007, 2023-018, 2021-026, 2019-017, 2017-020)

RECOMMENDATION

We recommend the Department strengthen internal controls to ensure compliance with applicable rules and regulations over expenditures. Furthermore, we recommend the Department seek reimbursement for any overpayments.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department will continue its efforts to advise staff on the timely approval requirements for all invoices. A monthly report will be distributed to key management staff to assist in achieving compliance. HFS has recouped the referenced overpayment.

2025-008 **FINDING** (Inadequate Controls Over State Vehicles)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over State vehicles.

During our review of the schedule of vehicles prepared by the Department, we noted:

- Three of 23 (13%) vehicles had not been properly added to the Agency Report of State Property (C-15) report.
- One of 23 (4%) vehicles had been sent to surplus in the prior fiscal year but remained on the C-15 report.
- One of 23 (4%) vehicles was included in the C-15 report but not included in the schedule of vehicles provided by the Department.

Therefore, based on the items noted above, we were unable to conclude the Department's population of vehicles was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, and based on our review, we determined the Department maintained a total of eighteen State vehicles as of June 30, 2025. During our review of the schedule of vehicles prepared by the Department, we noted:

- The year-end mileage reported for thirteen (72%) vehicles did not agree to supporting documentation. Mileage was reported differently than support between two to 6,000 miles.
- The Department was unable to provide supporting documentation for the fiscal year 2024 year-end mileage for one (6%) vehicle.

During our testing for proper maintenance of the eighteen vehicles maintained as of June 30, 2025, we noted:

- Thirteen (72%) vehicles had one or more instances of untimely oil changes. The oil changes were between 1,101 and 10,933 miles late and between four and 40 months late.
  - Seven were untimely based on the number of miles driven from the previous oil change.
  - Two were untimely based on the number of months lapsed since the last oil change.
  - Four were untimely based on both the number of miles driven from the previous oil change and the passage of time since the last oil change.
- Five (28%) vehicles did not have tire rotations performed with every other oil change.
- Ten (56%) vehicles did not receive the required annual inspection.

This finding was first noted during the Department's fiscal year 2017 State compliance examination, eight years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Vehicle Use Act (Act) (30 ILCS 617/10) requires each agency to designate a vehicle use officer to monitor the use of State-owned vehicles by that State agency and for the Department's vehicle use policies to include procedures regarding daily vehicle use logs and mileage recording. Section 240.6 of the Department's Vehicle Policy states each bureau or division that has a vehicle must also have a Vehicle Liaison who will ensure that vehicle logs are updated regularly.

The Department of Central Management Services' *Vehicle Usage Program* requires vehicles to receive regular oil changes, which includes passenger vehicles less than 10 years old receiving an oil change every 5,000 miles or 12 months, whichever occurs first, and passenger vehicles 10 years old or older receiving regular oil changes every 3,000 miles or 12 months, whichever occurs first.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls would dictate accurate updates of the Department's schedule of vehicles.

According to the Attestation Standards of the AICPA (AT-C § 205.36), when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary, obtaining evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

Department management indicated the errors in the population were due to system issues the Department is working on getting resolved and a change in ownership from the Department of Central Management Services to the Department with an oversight of adding these vehicles to the Department's property records. Additionally, the Department indicated the mileage tracking exceptions noted were due to employee error. Further, Department management indicated the failure to properly maintain vehicles was due to the lack of a sufficient system to track when vehicle maintenance is due.

Failure to maintain an accurate population and accurate mileage of vehicles represents noncompliance with the State Vehicle Use Act and the Department's policies and could lead to misuse of State property. Failure to properly maintain vehicles could result in costly repairs and early deterioration of the Department's capital assets and represents noncompliance with the Vehicle Usage Program. (Finding Code No. 2025-008, 2023-019, 2021-011, 2019-015, 2017-018)

RECOMMENDATION

We recommend the Department strengthen internal controls to properly update its population of vehicles, as well as maintain accurate documentation of mileage for all Department vehicles. We also recommend the Department strengthen internal controls to ensure its vehicles timely undergo all required maintenance.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department has worked with the Department of Central Management Services to install transponders in all HFS motor pool vehicles. The new telematics system will allow the HFS motor pool coordinator to easily reference any of the motor pool vehicles to obtain vehicle mileage, miles lapsed since the last oil change and tire rotation, as well as miles lapsed since the last vehicle inspection. By utilizing this real-time system, the HFS motor pool coordinator can notify the responsible vehicle liaison when service or an inspection is needed.

2025-009 **FINDING** (Noncompliance with the Requirements of the Illinois Insurance Code)

The Department of Healthcare and Family Services (Department), in conjunction with the Department of Insurance (DOI), did not comply with the reporting requirements of the Illinois Insurance Code (Code) (215 ILCS 5/370c.1(h)(3)) pertaining to mental health and substance use disorder coverage and parity laws.

During testing we noted the 2023 annual report, due by January 1, 2024, was submitted on December 6, 2024, 340 days late. Additionally, the Department was unable to provide support demonstrating the Department and DOI performed the required educational presentation to the General Assembly on either the 2023 or 2024 annual reports.

The Code (215 ILCS 5/370c.1(h)(3)) requires the Department, in conjunction with the DOI, to issue a joint report to the General Assembly and provide an educational presentation pertaining to various elements of mental, emotional, nervous, and substance use disorders and conditions and compliance with parity obligations under State and federal law to the General Assembly no later than January 1 of each year.

Department management indicated the report was not submitted to the General Assembly due to error and the educational presentations were not performed due to Department management's interpretation of the requirement to be unachievable.

Failure to timely submit the statutorily required annual report and perform the required presentation prevents the General Assembly from receiving relevant feedback and obtaining knowledge for the oversight of State programs and represents noncompliance with the Code. (Finding Code No. 2025-009, 2023-020)

RECOMMENDATION

We recommend the Department work with the DOI to ensure annual reports are submitted and educational presentations are performed timely to comply with the requirements of the Code or to seek legislative change.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. In collaboration with the Department of Insurance, HFS has suggested a legislative change, which was approved and included in PA 104-0470 (215 ILCS 5/370c.1(h)(3)) to state "Not later than March 1 of each year, beginning in calendar year 2027, the Department of Insurance, in conjunction with the Department of Healthcare and Family Services, shall issue a joint report to the General Assembly. The joint report shall be posted on each respective department's website." The requirement to "provide an educational presentation to the General Assembly" was removed.

2025-010 **FINDING** (Inadequate Controls Over Agency Workforce Reports)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over the preparation and submission of its Agency Workforce Report (Report).

The fiscal year 2023 Report, submitted in fiscal year 2024, contained 281 categories to be reported. The Report contained 17 (6%) categories in which the number of employees reported did not agree with Department support. These incorrect entries also caused the totals and/or percentages in 19 (7%) categories to be inaccurately reported.

The fiscal year 2024 Report, submitted in fiscal year 2025, contained 270 categories to be reported. The Report contained 14 (5%) categories in which the number of employees reported did not agree with Department support. These incorrect entries also caused the totals and/or percentages in 20 (7%) categories to be inaccurately reported. Additionally, while the number of reported employees used to calculate the totals and/or percentages in all other categories were correct, we noted 11 (4%) categories in which the totals and/or percentages were not correctly calculated.

The Department was unable to provide support the prior year corrected reports for fiscal years 2021 and 2022 were properly filed within 30 days after the release of the prior examination. The prior examination was released on December 19, 2024.

The State Employment Records Act (5 ILCS 410/20) requires each State agency to collect, classify, maintain, and report accurate data regarding the number of State employees, as required by the Act, on a fiscal year basis. Each agency is also required to file a copy of all reports with the Office of the Secretary of State and submit a copy to the Governor by January 1 each year. Good internal controls require the reports to be filed with correct information.

Further, the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Department to prepare and file with the Governor and Office of the Secretary of State corrected reports covering the periods affected by the noncompliance within 30 days after release of the audit.

Department management stated the discrepancies and failure to file corrected reports were due to human error.

Failure to provide complete and accurate reports prevents fulfillment of the purpose of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State workforce. Failure to retain records supporting the Department's submission of the corrected reports to the Governor's office represents noncompliance with the Illinois State Auditing Act. (Finding Code No. 2025-010, 2023-024)

RECOMMENDATION

We recommend the Department complete internal reviews to ensure accurate Agency Workforce Reports are prepared. Additionally, we recommend the Department prepare and file corrected fiscal year 2023 and 2024 Reports with the Governor and the Secretary of State within 30 days after the release of the Department's compliance examination report. Further, we recommend the Department maintain adequate documentation of the corrected Reports and the dates they are filed.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The discrepancies in population data is something HFS has been working on for multiple years to address. Completing the statewide transition to ERP SuccessFactors has been a focus for addressing this issue. The Employee Central module has been in the process of being implemented since February 2024. As of June 2026, HFS is now fully compliant with the employee information in this system. This should help to alleviate the human error discrepancies from manual data entry in the reporting. Additionally, Personnel has implemented the retention of source data and documentation trails in the EEO Office for any changes that are requested to be made to the workforce reporting. This will include both the original source data as well as for any needed changes that are made to reporting.

2025-011 **FINDING** (Inadequate Information Technology General Controls)

The Department of the Healthcare and Family Services (Department) failed to maintain adequate information technology general controls (ITGCs) over its applications.

The Department utilizes several applications containing critical, confidential, and sensitive information in order to meet its mission. These applications are used by the Department for managing the State's healthcare program, fulfilling the State's child support obligations, and for the Department's internal financial and human resource information. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. We identified six applications to have a material impact on the Department's financial information and/or operations.

Access Provisioning

We tested the Department's access provisioning procedures for a sample of 282 users across six applications. Our sample of 282 users was comprised of 196 active users, 15 new-hired users, 45 terminated users, and 26 users with administrative rights. We noted four of 196 (2%) active users' access was not needed to perform their job responsibilities.

Change Control

Change control is the systematic approach to managing changes to an information technology environment, applications, 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.

The Department was unable to produce a complete and accurate population of changes related to one of the applications. Due to this limitation, we were unable to conclude the Department's population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AICPA) (AT-C § 205.36). Even given the population limitation, which hindered our ability to conclude whether the selected sample was representative of the population as a whole, we did not note any exceptions specific to the sample changes tested.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section, requires entities to develop and comply with control over the timely termination of access rights and the periodic review of access rights.
The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the NIST, Configuration Management section, requires entities to ensure applications are modified in a manner that promotes consistency, integrity, and security and ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

According to the Attestation Standards of the AICPA (AT-C § 205.36), when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary, obtaining evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department management indicated the access provisioning exceptions were due to limitations in communication between employees involved with the removal of system access. Department management indicated the change control population issue was due to limitations of the systems' ability to segregate changes by application.

Inadequate internal controls over user access could result in unauthorized use and/or inappropriate access to Department systems. Incomplete or unclear populations of changes limit the ability to perform effective monitoring and testing, which could result in unauthorized, incorrect, or unsupported changes going undetected. These deficiencies increase the risk that confidentiality, integrity, and availability of data could be compromised. (Finding Code No. 2025-011, 2024-008)

RECOMMENDATION

We recommend the Department strengthen internal controls to ensure users' access to its applications is appropriate based on job responsibilities. Additionally, we recommend the Department improve its change management controls to ensure populations of system changes are complete, accurate, and available for monitoring and examination purposes.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will continue to work to ensure users' access is appropriate. The change management population issue was due to a system limitation. The DoIT team will pull population information from the Cost & Allocation Tracking System (CATS). The Bureau code, Section code, Unit code, and System code will now be included to indicate which major system is being worked. This will allow staff to segregate populations for auditor examinations.

2025-012 **FINDING** (Failure to Share Leading Indicators)

The Department of Healthcare and Family Services (Department) was not in compliance with the Illinois Public Aid Code (Code) (305 ILCS 5/5-30.1(h-5)) related to leading indicators for elevated behavioral health crisis risk for children.

The Department obtained input from various State agencies, managed care organizations (MCOs), providers, and clinical experts to identify and analyze key indicators and data elements that can be used in an analysis of lead indicators from assessments and data sets available to the Department for elevated behavioral health crisis risk for children. However, the Department did not share with MCOs and similar care coordination entities contracted with the Department the identified leading indicators by December 1, 2024. Additionally, the Department did not implement guidance to MCOs and similar care coordination entities for responding to lead indicators with services and interventions designed to help stabilize children.

The Code (305 ILCS 5/5-30.1(h-5)) requires the Department to share identifying leading indicators with MCOs and similar care coordination entities contracted with the Department on or before December 1, 2024, for the purpose of improving care coordination with the early detection of elevated risk. Further, the Code requires the Department to implement guidance to MCOs and similar care coordination entities contracted with the Department, so that the MCOs and care coordination entities can respond to lead indicators with services and interventions that are designed to help stabilize the child.

Department management indicated that although the input was obtained, the analysis of the input and data was not finalized due to competing priorities, resulting in the delay in communicating the information and developing guidance.

Failure to share the identified leading indicators with MCOs and similar care coordination entities and implement guidance does not allow for the MCOs and similar care coordination entities to respond appropriately with services and interventions designed to help stabilize children and represents noncompliance with the Code. (Finding Code No. 2025-012)

RECOMMENDATION

We recommend the Department complete the analysis and share the identified leading indicators with MCOs and similar care coordination entities, as required. Additionally, we recommend the Department implement guidance for responding to lead indicators with services and interventions designed to help stabilize children.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The predictive analyses have been completed; the analyst working group is in the final stages of testing leading indicators and compiling results. In the next two months, the working group will engage advisory members, MCOs, and other subject matter experts to review the results and discuss implementation to provide recommendations.

2025-013 **FINDING** (Inadequate Controls Over Data Protection)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over its wiping of data on electronic systems.

During our testing of the Department's data wiping from electronic systems, we noted the Department was unable to provide documentation that the hard drive of one laptop sent to surplus was erased, wiped, sanitized, or destroyed in a manner preventing the retrieval of sensitive data and software prior to its transfer.

The Data Security on State Computers Act (Act) (20 ILCS 450/20) was established to protect sensitive data stored on State-owned electronic data processing equipment. The Act requires the Department to implement a policy mandating all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated, or transferred by (i) overwriting the previously stored data on a drive or a disk at least three times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions, decisions, and essential transactions of the Department to protect the legal and financial rights of the State and of the persons directly affected by the Department's activities.

Department management indicated the documentation was not maintained due to oversight.

Failure to ensure adequate internal controls over the wiping of data from electronic systems could jeopardize the Department's records, increasing the risk of unauthorized disclosure of confidential and sensitive information and enable fraudulent activity. (Finding Code No. 2025-013)

RECOMMENDATION

We recommend the Department strengthen its internal control over its wiping of data on electronic systems.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Innovation and Technology (DoIT) to ensure they wipe all data from electronic systems.

Schedule of Findings – Prior Findings Not Repeated

A. **FINDING** (Inadequate General Information Technology Controls Over IES)

During the previous engagement, the Department of Healthcare and Family Services (Department) and the Department of Human Services (DHS) had weaknesses in the general information technology and security controls over the Integrated Eligibility System (IES).

Due to the change in scope of the engagements contracted with the Office of the Auditor General, the Department and DHS are no longer required to prepare departmental financial statements. The impact of the IES on financial reporting will be taken into consideration in the new Statewide Annual Comprehensive Financial Report audit. Therefore, this finding will not be repeated. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-001, 2021-002, 2020-003, 2020-004, 2019-004, 2018-007, 2017-009)

B. **FINDING** (Inadequate Disaster Recovery Controls Over the Integrated Eligibility System (IES))

During the previous engagement, the Department and DHS lacked adequate disaster recovery controls over the IES.

Due to the change in scope of the engagements contracted with the Office of the Auditor General, the Department and DHS are no longer required to prepare departmental financial statements. The impact of the IES on financial reporting will be taken into consideration in the new Statewide Annual Comprehensive Financial Report audit. Therefore, this finding will not be repeated. (Finding Code No. 2024-002, 2023-002, 2022-002, 2021-003, 2020-005, 2019-005)

C. **FINDING** (Inadequate General Information Technology Controls Over IMPACT)

During the previous engagement, the Department and DHS had inadequate general information technology controls over the Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system.

Due to the change in scope of the engagements contracted with the Office of the Auditor General, the Department and DHS are no longer required to prepare departmental financial statements. The impact of the IMPACT system on financial reporting will be taken into consideration in the new Statewide Annual Comprehensive Financial Report audit. During the current engagement, we noted the Department did not make significant improvements to its internal controls over the IMPACT system related to user access. However, these exceptions will be reported in Finding No. 2025-011: Inadequate General Information Technology Controls. (Finding Code No. 2023-004, 2022-003, 2021-005, 2020-007, 2019-010, 2018-002)

D. **FINDING** (Insufficient Review and Documentation of Provider Enrollment Determinations)

During the previous engagement, the Department and DHS failed to sufficiently review and document provider enrollment requirements during the required monthly screenings for enrolled providers.

During the fiscal year 2024 financial audit, it was determined the Department and DHS were able to provide support the required monthly batch screenings were reviewed and documented for all enrolled providers in the sample tested. (Finding Code No. 2023-005, 2022-004, 2021-006, 2020-008, 2019-010, 2018-002)

E. **FINDING** (Financial Statement Preparation Weaknesses)

During the previous engagement, the Department's year-end financial reporting in accordance with generally accepted accounting principles contained inaccuracies and omitted amounts affecting balances.

Due to the change in scope of the engagements contracted with the Office of the Auditor General, the Department is no longer required to prepare departmental financial statements. The impact of the Department's year-end financial reporting will be taken into consideration in the new Statewide Annual Comprehensive Financial Report audit. Therefore, this finding will not be repeated. (Finding Code No. 2024-006, 2023-006, 2022-007)

F. **FINDING** (Failure to Properly Identify Capital Assets in Accordance with Reporting Standards)

During the previous engagement, the Department of Healthcare and Family Services (Department) failed to properly identify leases and subscription-based information technology agreements in accordance with the applicable Governmental Accounting Standards Board Statements.

During the fiscal year 2024 financial audit, our testing indicated that the Department implemented corrective actions, including detailed analysis, to improve controls for properly identifying capital assets. (Finding Code No. 2023-007)

G. **FINDING** (Weaknesses in Review of External Service Providers)

During the previous engagement, the Department's independent internal control reviews over its services providers contained weaknesses. Specifically, not all contracts contained a requirement for a System and Organization Control (SOC) report or an independent internal control review of the outsourced services; not all service providers had a formal agreement in place; and not all SOC reports had timely comprehensive reviews completed.

During the current engagement, our testing indicated that the Department implemented corrective actions and no exceptions were noted for the service providers tested. (Finding Code No. 2023-010, 2022-005, 2021-007, 2020-009, 2019-011, 2018-014, 2017-011, 2016-003, 2015-004)

H. **FINDING** (Inadequate Controls Over the University of Illinois Hospital Services Fund)

During the previous engagement, the Department did not have adequate controls to ensure Disproportionate Share Hospital (DSH) payments were paid in accordance with the Illinois Medicaid State Plan (State Plan). Specifically, the State Plan required 12 monthly installments.

During the current engagement, we noted the Department made revisions to the State Plan to align with operations, which no longer required monthly installments. We noted the Department made the payments in accordance with the revised requirements. (Finding Code No. 2023-011, 2021-013, 2019-019, 2017-022, 2015-010)

I. **FINDING** (Inadequate Controls Over Managed Care Organization Reporting)

During the previous engagement, the Department did not have adequate controls over required Managed Care Organization (MCO) reporting. Specifically, the Department did not post all of the required reports to its website.

During the current engagement, our testing indicated that the Department implemented corrective actions and posted all tested reports to its website as required. (Finding Code No. 2023-012, 2021-016, 2019-023)

J. **FINDING** (Lack of Agreement to Ensure Compliance with Information Technology Security Requirements)

During the previous engagement, the Department had not entered into a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure prescribed requirements and available security mechanisms were in place in order to protect the security, processing integrity, availability, and confidentiality of its systems and data.

During the current engagement, our testing indicated that the Department executed and entered into a formal agreement with DoIT. (Finding Code No. 2023-013, 2021-017, 2019-025)

K. **FINDING** (Lack of Disaster Recovery Testing)

During the previous engagement, the Department had not conducted disaster recovery testing of its applications and data.

During the current engagement, our testing indicated that the Department successfully conducted disaster recovery testing of its applications and data. (Finding Code No. 2024-007, 2023-014, 2021-018, 2019-026)

L. **FINDING** (Insufficient Controls over Managed Care Organization (MCO) Contracts)

During the previous engagement, the Department did not adequately monitor MCO contracts to ensure compliance with all contractual provisions. Specifically, the Department did not obtain required reports from the MCOs pursuant to the executed agreements.

During the current engagement, our testing indicated the Department adequately monitored the contracts with the MCOs. All reports tested were obtained by the Department or the Department provided support of monitoring actions for reports MCOs did not submit. (Finding Code No. 2023-021)

M. **FINDING** (Lack of Adequate Internal Controls Over Hospital Access Payments)

During the previous engagement, the Department did not have adequate internal controls over hospital access payments.

During the current engagement, the Department made significant improvements to its internal controls related to timely access payments and distributions. (Finding Code No. 2023-022)

N. **FINDING** (Noncompliance with the Children and Family Services Act)

During the previous engagement, the Department, the Department of Children and Family Services (DCFS), the Department of Human Services, the Illinois State Board of Education, the Department of Juvenile Justice, the Department of Corrections, the Illinois Housing Development Authority, and the Department of Public Health did not have an existing interagency agreement (IA) over the preventative services provided to youth and young adults under the custody or guardianship of DCFS. Further, no meetings were held to make progress toward accomplishing the goals set forth in the Children and Family Services Act (20 ILCS 505/43(a)). Further, the required reports to the General Assembly had not been prepared or submitted.

During the current engagement, an IA was executed, meetings were held to make progress towards accomplishing the goals, and annual reports were prepared and submitted to the General Assembly. (Finding Code No. 2023-023)