



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**DEPARTMENT OF HUMAN SERVICES**

**Financial Audit For the Year Ending June 30, 2013 and  
Compliance Examination for the Two Years Ending  
June 30, 2013**

**Release Date: May 29, 2014**

**Summary of Findings:**

<b>Total this report</b>	<b>38</b>
<b>Total last report</b>	<b>43</b>
<b>Repeated from last report:</b>	<b>27</b>

**SYNOPSIS**

- Weaknesses were identified in the preparation of year-end accounting reports submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements.
- The Department has weaknesses in the quarterly reporting of accounts receivable.
- The Department lacked adequate close-out procedures while closing Mental Health and Developmental Centers.
- The Department failed to calculate and pay prompt payment interest on medical assistance payments.
- The Department did not ensure procedures were followed for disposal of documents containing confidential and sensitive information.
- The Department transmitted unsecured confidential information over the internet.
- The Department had numerous internal control weaknesses in the Home Services Program.
- The Department did not adequately monitor provider agencies.
- The Department did not adequately administer locally held funds (bank accounts).
- The Department failed to make annual redeterminations of eligibility for ALL KIDS in compliance with statutory requirements.
- Duplicate enrollees were found in eligibility files for the medical assistance program under Title XIX of the Social Security Act.
- Medical Assistance records for deceased individuals were not updated timely.

{Expenditure and Activity Measures are summarized on the reverse page.}

**DEPARTMENT OF HUMAN SERVICES  
FINANCIAL AUDIT  
For the Year Ended June 30, 2013  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2013**

<b>EXPENDITURE STATISTICS</b> (\$ expressed in thousands)	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
<b>Total Expenditures</b> .....	<b>\$ 5,827,496</b>	<b>\$ 5,486,690</b>	<b>\$ 5,902,757</b>
OPERATIONS TOTAL.....	\$ 1,742,253	\$ 1,769,798	\$ 1,734,819
% of Total Expenditures.....	29.9%	32.3%	29.4%
Personal Services.....	826,848	823,210	828,449
Other Payroll Costs (FICA, Retirement and Group Insurance).....	131,138	120,091	112,558
Interfund Cash Transfers.....	295,297	311,236	266,376
Medical & Food Supplies for Distribution.....	239,299	243,508	245,047
Contractual Services.....	200,293	216,662	208,089
All Other Operating Expenditures.....	49,378	55,091	74,300
AWARDS AND GRANTS.....	\$ 4,081,575	\$ 3,712,739	\$ 4,164,311
% of Total Expenditures.....	70.0%	67.6%	70.5%
PERMANENT IMPROVEMENTS.....	\$ 295	\$ 215	\$ 73
% of Total Expenditures.....	0.0%	0.0%	0.0%
REFUNDS.....	\$ 3,373	\$ 3,938	\$ 3,554
% of Total Expenditures.....	0.1%	0.1%	0.1%
<b>Total Receipts</b> .....	<b>\$ 2,058,172</b>	<b>\$ 2,048,545</b>	<b>\$ 2,200,188</b>
<b>Number of Employees, June 30</b> .....	<b>11,938</b>	<b>13,984</b>	<b>13,637</b>
<b>SELECTED ACTIVITY MEASURES</b> (unaudited)	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
Family and Community Services:			
Average number of TANF families engaged each month.....	5,540	4,634	3,993
Average number of children served - child care, per month.....	163,250	171,000	173,100
Refugees and imigrants receiving outreach/interpretation services	62,204	60,250	54,221
Average child care cost per child, per month.....	\$ 413	\$ 411	\$ 393
Home Services:			
Persons receiving in-home services to prevent institutionalization.	31,406	32,820	38,682
Average monthly cost of in-home service per client.....	\$ 1,322	\$ 1,341	\$ 1,312
Youth and Adult Services:			
Number of Adolescents receiving Family Planning services.....	18,755	23,443	24,520
Vocational Rehabilitation:			
Persons in supported employment.....	1,553	1,809	2,171
<b>DEPARTMENT SECRETARY</b>			
During Examination Period: Michelle R. B. Saddler			
Currently: Michelle R. B. Saddler			

## INTRODUCTION

This report presents our Department-wide financial statement audit for the year ended June 30, 2013 and compliance attestation examination for the two years ending June 30, 2013. At June 30, 2013 the Department operated 6 Developmental Centers, 7 Mental Health Centers, 1 combined Mental Health and Developmental Center and 3 Rehabilitation Services Facilities. During the engagement period, the Department closed 3 facilities: Tinley Park Mental Health Center, H. Douglas Singer Mental Health Center, and the Jacksonville Developmental Center. The findings are presented in the report beginning at page 18.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **WEAKNESSES IN PREPARATION OF ACCOUNTING REPORTS AND FINANCIAL STATEMENTS**

During the audit of the June 30, 2013 Department financial statements, several exceptions were noted. Some of the conditions identified follow:

**Financial reporting forms contained numerous errors, requiring significant adjustments**

- Accounting reports (GAAP reporting packages and Forms) prepared for the Office of the State Comptroller (Comptroller) were incomplete, contained numerous inaccuracies and required corrections. One was submitted 24 days late, 2 were submitted 14 days late, 10 were submitted 4 to 6 days late, and 8 were submitted 1 day late. Significant adjustments were made after the original submission.

**Prompt payment interest not calculated nor reported**

- The Department overstated current year expenditures for the Temporary Assistance for Needy Families (TANF) by \$68.8 million on the original SCO-563 Form submitted to the Comptroller, which required significant adjustments to receivables and unavailable revenue in the General Revenue Fund.
- The Department failed to calculate and record a liability for prompt payment interest on payments to vendors for developmental disability services covering fiscal years 2010 through 2013.

**Liability of \$28 million not recorded after instruction to do so by Comptroller**

- The Comptroller instructed the Department on August 23, 2013 to record the unpaid fiscal year 2012 back wages of \$28.02 million as a liability in the General Revenue Fund GAAP reporting package. However, the Department failed to include this liability when they submitted the GAAP reporting package on September 30, 2013 and the adjustment was ultimately recorded by the Comptroller on October 23, 2013.

- Auditors noted another State agency recalculated program expenditures for the Home and Community-Based Waiver program. As a result, the Comptroller adjusted federal operating grant revenue by \$36.46 million for the Community Development Disability Services Medicaid Trust Fund and \$11.29 million for the Health and Human Services Medicaid Trust Fund approximately one month after the Department initially submitted the GAAP reporting packages for those funds.
- The Department overstated operating transfers out from the General Revenue Fund to the DHS Public Assistance Recoveries Trust Fund by \$11.7 million.
- The Department overstated current year expenditures for the Child Care and Development Block Grant program by \$8.12 million in the DHS Special Purposes Trust Fund.

**Operating transfers overstated by \$11.7 million and expenditures \$8 million**

**Department attributed errors to lack of qualified staff**

Department officials stated the errors contained in the GAAP reporting packages were primarily due to a lack of a sufficient number of qualified staff and corresponding titles, education, and experience to prepare GAAP reporting packages and financial statements in accordance with GAAP. The lack of a complete general ledger and grants management system also contributed to the errors.

Because of the significance of the weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements, this is considered a material weakness in the Department's internal control. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. (Finding 1, pages 18-21) **This finding was first reported in 2009.**

We recommended the Department implement procedures and cross-training measures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner.

**Department agrees with auditors**

Department officials agreed with the recommendation and stated they will implement procedures and cross-training measures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner. (For the previous Department response, see Digest Footnote #1).

**WEAKNESSES OVER QUARTERLY REPORTING OF ACCOUNTS RECEIVABLE**

**Complex compilation of accounts receivables relies on multiple systems**

During testing of the quarterly receivable forms, the auditors noted the reports were manually compiled from multiple accounts receivable systems in order to issue a single report.

The compilation is complex and cumbersome and, as a result, there is a potential for errors in reporting. The current process takes several hours to complete over a period of several weeks. The Department's current primary accounts receivable system is the Accounts Receivable System with the secondary systems in the Consolidated Accounting and Reporting System (CARS) and the Reimbursement System II (RE2). The systems need to be updated to handle the quantity of transactions processed by the Department.

**For fiscal year 2013, unreconciled differences ranged from \$5 million to \$16 million**

Auditors noted the quarterly Forms C-98 submitted to the Comptroller contained differences that could not be reconciled with the Department's supporting documentation. For example, for the Mental Health Fund, receivable balances each quarter consist of balances from CARS, RE2, plus entries for Medicare Part D. The Department does not maintain a detail accounts receivable subsidiary ledger to support the detail of the ending Mental Health Fund quarterly balances. Rather, the Department generally takes the beginning quarterly receivable balance, adds new receivables and deletes payments to derive an ending quarterly balance. Auditors reviewed the supporting documentation for these receivables but were unable to reconcile the amounts to the totals reported for the quarter end. For fiscal year 2013, differences ranged from \$5 million to \$16 million at the end of each quarter.

Auditors also noted there were Forms generated for funds that do not report receivables. Department personnel indicated that CARS will populate receivable amounts for funds that actually do not have receivables. According to Department personnel, these amounts are populated in error and must be zeroed out manually.

Because of the significance of the weaknesses in the Department's accounts receivable reporting system, this is considered a material weakness in the Department's internal control. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. (Finding 2, pages 22-23) **This finding was first reported in 2007.**

We recommended the Department implement a Department-wide accounts receivable system, working with the appropriate parties regarding any possible state-wide consolidated accounting system initiatives.

**Department agrees with auditors**

Department officials agreed with the recommendation and stated they will continue to review the Accounts Receivable agency wide. Based on the results of the review, the Department stated they will establish and implement any changes as solutions occur. (For the previous Department response, see Digest Footnote #2).

## **INADEQUATE ADMINISTRATION OF CLOSING MENTAL HEALTH CENTERS AND DEVELOPMENTAL CENTERS**

The Department did not exercise adequate internal control while closing Mental Health Centers and Developmental Centers during the examination period.

During fiscal years 2013 and 2012, the Department closed the following facilities:

- Tinley Park Mental Health Center (Tinley Park) – June 30, 2012
- H. Douglas Singer Mental Health and Developmental Center (Singer) – October 31, 2012
- Jacksonville Developmental Center (Jacksonville) – November 27, 2012

### **Significant issues noted in close-out of Singer and Tinley Park**

During testing of the Department's operations and close-out procedures at the Singer, Tinley Park and Jacksonville centers, auditors noted numerous weaknesses regarding close-out process at Singer and Tinley Park, some of which were as follows:

#### **Large inventory remained at facility several months after closure**

- During a walkthrough of the facilities several months after their closure dates, the auditors noted a large inventory of mechanical stores items was still on hand.
- During fieldwork at Singer, the auditors noted the facility's equipment items, generally furniture, had been placed in hallways and appeared to be abandoned.

#### **Unused/abandoned equipment remained at facilities**

The auditors also identified equipment items at Tinley Park, including furniture, 4 farm tractors, a forklift, and 10 inoperable State vehicles that were still on-site within various buildings across the Tinley Park campus and had, presumably, been abandoned.

#### **Inventories not conducted timely**

- The facilities did not conduct an inventory of commodities, general stores, mechanical stores, equipment and real property following the announcement of the closure of the facility.

#### **Requisitions and receiving reports entered months after closure of facility**

- Singer did not enter inventory requisitions after October 3, 2012 or enter inventory receiving reports after October 15, 2012 into the Commodity Control System until after the closure date of October 31, 2012.

#### **Department's internal policy for closing of facility was not followed**

- The Department was unable to provide documentation supporting internal notification of the Department's Property Control Unit of the impending closure of Singer or Tinley Park 6 months prior to closure.

- During walkthroughs of Spruce Hall at Tinley Park, the auditors identified several boxes of envelopes and several envelopes strewn throughout the building where the envelopes had been run through a postage meter.
- Singer completed its annual June 30, 2012, equipment inventory on August 24, 2012, sixty-eight days prior to closure on October 31, 2012.

**Department stated oversight as cause**

Department officials stated the noted exceptions were due to oversight. Refer to Findings 2013-009, 2013-013, and 2013-016 for additional recommendations pertaining to weaknesses noted pertaining to the operations at Tinley Park and Singer. (Finding 5, pages 28-33)

We recommended the Department improve its central oversight of the closure of remote locations. The oversight should include the assignment of a liaison between the Central Office and the remote location to monitor the completion of the tasks needed to close out its operations.

**Department agrees with auditors**

Department officials accepted the recommendation and stated they have developed an Administrative Directive for the process for shutting down or decommissioning a DHS-operated facility, Center or School. In conjunction with this Administrative Directive, the Department indicated they developed a comprehensive facility closure planning manual to provide instructions for submitting a plan during closures.

**FAILURE TO CALCULATE AND PAY PROMPT PAYMENT INTEREST ON MEDICAL ASSISTANCE PAYMENTS**

**Liability not recorded**

During their testing, auditors determined the Department does not have a methodology to calculate prompt payment interest that resulted from late medical payments to vendors processed through Medicaid Management Information System (MMIS) and therefore did not record a liability while preparing its financial statements for the year ended June 30, 2013. In response to an inquiry from the auditors, the Department determined it had failed to pay prompt payment interest to 270 vendors during fiscal years 2010 through 2013 totaling \$20.5 million. Of this amount, unpaid interest for FY13 and FY12 was \$6 million and \$2.8 million, respectively. In addition, the Department was unable to provide auditors with supporting documentation for the medical assistance payments recorded against its appropriations for the period July 1, 2009 through June 30, 2013. (Finding 6, pages 34-36)

**Failure to pay \$20.5 million in prompt pay interest to 270 vendors over a 4-year period**

**Department could not support medical assistance payments**

We recommended the Department develop a methodology to calculate prompt payment interest that results from late medical payments to vendors processed through MMIS as well as estimate a liability for such contingency when preparing its financial statements.

**Department agrees with auditors**

Department officials accepted the recommendation and stated they will work with the Department of Healthcare and Family Services to develop an interagency agreement regarding the calculation of the MMIS Prompt Payment Interest on Medical Assistance.

**INADEQUATE COMPLIANCE WITH PROCEDURES FOR DISPOSAL OF CONFIDENTIAL INFORMATION**

**Confidential information not disposed of properly**

During walkthroughs at the Department's Central Office, auditors found unlocked shred bins in open areas that were clearly marked as shred. We also found confidential information that was disposed of in a recycle bin.

**Significant confidential information found at closed facilities**

At three closed facilities, auditors noted the following exceptions:

**Sensitive and confidential patient and personnel records remained in open areas at closed facilities**

- At Tinley Park Mental Health Center, which closed June 30, 2012, auditors conducted a walkthrough 13 months following closure and found the Department had left boxes of patient records near the side entrance of a building. In addition, files were noted in four buildings that contained employee personnel records, recipient files, forms containing names and contact information for volunteers, clinical record files, files containing medical tests, pharmaceutical records, patient incident records, patient surgical and psychiatric records, and files containing information on Hurricane Katrina refugees.

**Filing cabinets found full of Department Inspector General reports**

- At H. Douglas Singer Mental Health Center, which closed October 31, 2012, auditors conducted a walkthrough 9 months following closure and found complete employee records, recipient court records and other court records, and Patient Daily Census and Movement reports with recipient names. In addition, auditors noted filing cabinets full of investigations, reports, and attorney correspondence related to the Department's Office of the Inspector General.

**Patient specimens and photos labeled with names found in closed facility**

- At the Jacksonville Developmental Center, which closed on November 27, 2012, auditors found confidential information in trash receptacles, filing cabinets, binders, boxes, and on desks. We found resident names, health information, and social security numbers, a labeled medical specimen, photos of residents labeled with residents' names and incident number, security reports which included resident names; filing cabinets with folder separators labeled with resident names; two computer monitors and three computer towers; large stack of binders which contained the last name and first initial of residents on the spine of the binders; and manila filing folders with patient names written on the tabs.

**Security reports including resident names were unsecured**

**Closed facilities' confidential information potentially exposed to outside individuals**

**Closed facility had confidential information on floors and open areas and was utilized for training by police and Navy SEALs**

We noted the confidential information at the above facilities may have been exposed to outside individuals, including employees of the Department of Central Management Services and vandals. With regard to Tinley Park Mental Health Center, additional exposure occurred as a result of training conducted at the Center by members of the U.S. Navy SEALs and area police officers.

**Confidential information found in trash at other Department facilities**

Additionally, documents containing confidential information were found in trash or recycle bins while performing visits at certain other Department facilities. Documentation included information such as patient names, social security numbers, guardian names, addresses, telephone numbers, appointments, assessments, specimen logs, and test orders. (Finding 9, pages 41-43) **This finding was first reported in 2005.**

We recommended the Department ensure confidential information is adequately protected and review existing policies regarding the security and control of confidential information to ensure Department-wide procedures exist for ensuring confidential and personal information is adequately secured in both electronic and hardcopy format. We further recommended the Department effectively communicate and enforce its procedures for safeguarding, retention, and subsequent disposal of all confidential information to all Department personnel, including facilities.

**Department agrees with auditors**

Department officials accepted the recommendation and stated they are developing a new Administrative Directive to ensure confidential information is adequately protected and personal information is adequately secured in both electronic and hardcopy format. The Department also stated they will communicate and enforce its procedures for safeguarding, retention, and subsequent disposal of all confidential information to all Department personnel, including facilities. (For the previous Department response, see Digest Footnote #3).

**UNSECURED CONFIDENTIAL INFORMATION TRANSMITTED OVER THE INTERNET**

**Confidential information sent using unsecured emails**

The Department did not adequately protect confidential sensitive information. From July to October, Department staff sent numerous unprotected emails to OAG staff that contained information such as: protected health information, names and social security numbers and bank account information. In each case, OAG staff informed the sender of the infraction, asked the sender to refrain from sending such information in an email, and provided information on the availability of State's encryption resources. (Finding 26, pages 84-85)

We recommended the Department ensure confidential information is adequately protected by effectively communicating and enforcing procedures for safeguarding, retaining, and communicating confidential information to all Department personnel, including facilities.

**Department agrees with auditors**

Department officials accepted the recommendation and stated they will educate and inform DHS users about how to utilize Entrust as well as using the Illinois FTP Transfer Site when sharing confidential or protected data with those external to the State network. The Department indicated they will also inform users about security awareness and handling of confidential and protected data.

**INTERNAL CONTROL WEAKNESSES IN THE HOME SERVICES PROGRAM**

**Internal control weaknesses from prior engagements remain uncorrected**

During testing, numerous internal control weaknesses were identified in the Department of Human Services' (Department) Home Services Program managed by the Department's Division of Rehabilitation Services. These weaknesses were first noted in a review of the Home Services Program that Department management had performed in fiscal year 2005.

The auditors noted through testing and discussions with Home Services Program and fraud division personnel the following weaknesses were still prevalent during the current examination period:

**Insufficient monitoring of case files**

- The Home Services Program relies on the customer under an "honor system" to guard against abuse and to ensure compliance. The customer is responsible for approving and signing their Personal Assistant's timesheets.
- There was insufficient monitoring of case files to ensure program objectives were being met. There is only one supervisor at each of the 43 field offices to monitor Home Services Program activities. On average, each supervisor was responsible for approximately 803 case files during fiscal years 2013 and 2012.

**Average of one supervisor for 803 case files**

**Timely redetermination of need not being conducted**

- During testing of 5 field offices, auditors noted many cases that did not contain a timely redetermination of need. Of the 50 files tested, auditors noted 22 (44%) did not contain a timely redetermination. (Finding 10, pages 44-45) **(This finding was first reported in 2005.**

We recommended the Department implement controls to monitor and ensure accuracy in the timekeeping process for Personal Assistants, perform customer redeterminations in accordance with the Department's Administrative Rules governing the Home Services Program, and continue to show improvement in its caseload per counselor through the allocation of resources or alternative controls.

**Department agrees with auditors**

Department officials accepted the recommendation and are enhancing its procedures to strengthen internal controls over the Home Services Programs. (For the previous Department response, see Digest Footnote #4).

**INADEQUATE MONITORING OF PROVIDER AGENCIES**

Auditors tested the Department’s monitoring of the Division of Rehabilitation Services’ awards and grant agreements with its provider agencies and noted the following exceptions:

**Insufficient on-site monitoring of provider agencies**

- No on-site monitoring had occurred for multiple fiscal years for 2 of 20 (10 %) providers tested. One provider of the Independent Living program had not been visited since August 2001 and another provider of the Blind Services program had not been visited since May 2009.

**20% of providers tested not receiving timely monitoring reports**

- Four of 20 (20%) providers tested did not receive their monitoring report from the Department in a timely manner. These reports were provided from 16 to 45 days late. (Finding 12, page 48)

We recommended the Department implement improved monitoring procedures to ensure compliance with the Department’s Administrative Rules. The monitoring procedures should encompass timely on-site visits and issuance of monitoring reports.

**Department agrees with auditors**

Department officials accepted the recommendation. The Division of Rehabilitation Services stated they will work to fill vacancies and implement improved monitoring procedures to ensure compliance with the Department’s Administrative Rules.

**INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS**

**Problems with the Department’s locally held funds (bank accounts)**

The Department’s Central Office and mental health and developmental disability facilities inadequately administered locally held funds (bank accounts) during the examination period. Auditors noted exceptions regarding the administration, accounting, reconciliation, reporting, receipt and disbursement of these funds.

Some of the weaknesses noted during the testing of the Department’s quarterly reporting of receipts and disbursements for the two years ended June 30, 2013 follow:

**47% of facilities tested did not perform proper reconciliations**

- Eight of 17 (47%) facilities tested did not properly perform monthly reconciliations of their locally held funds.

**Insufficient segregation of duties**

- At the Chicago-Read Mental Health Center, auditors noted various exceptions in 4 locally held funds. Some of the

**Monies comingled**

exceptions noted consisted of: the same person prepared checks, received receipts, and recorded receipts and disbursements; the Center improperly comingled monies between the DHS Other Special Trusts Fund and the Patient Travel Trust Fund; and the cash on hand did not reconcile back to the fully authorized amounts for the Living Skills Fund, Patient Travel Trust Fund, DHS Other Special Trusts Fund, and DHS Resident's Trust Fund during a surprise cash count (the differences between the reconciled amount and authorized amounts ranged from \$1 to \$100).

**Funds not maintained in FDIC insured bank account**

- At Clyde L. Choate Mental Health and Developmental Center, auditors noted the Center did not maintain the Patient Travel Trust Fund in a local FDIC insured bank account as required. The fund was maintained in a cash box in a locked cabinet and safe. In addition, the Center's transfer of the remaining cash balance in the fund was not remitted timely to the State Treasury. The fund's balance was remitted 56 days late.

**100% of tested locally held fund reports were inaccurate at one facility**

- At Rushville Treatment and Detention Facility, auditors noted 4 of 4 (100%) Reports of Receipts and Disbursement for Locally Held Funds (Form C-17) were not accurate. In addition, the facility did not maintain adequate segregation of duties for the DHS Resident's Trust Fund. The same employee maintained the DHS Resident's Trust Fund records in addition to preparing the deposits and delivering the deposits to the bank. Further, interest earned in the DHS Resident's Trust Fund was not allocated to individual resident accounts for 2 of 12 (17%) months during fiscal year 2013.

**Untimely bank reconciliations were noted**

- At the Illinois School for the Deaf (School), auditors noted exceptions for 2 different locally held funds. We found 4 of 12 (33%) monthly fund bank reconciliations for the DHS/DORS Agency Fund were not completed timely, or within 30 days of month end. Reconciliations were performed between 12 and 103 days late. Auditors also noted the same individual responsible for authorizing locally held fund disbursements was assigned to assume recordkeeping duties of other accounting staff in their absence. This would allow the same individual to authorize disbursements, write and sign checks, post disbursements to the accounting system, and prepare bank reconciliations. For the DHS/DORS Special Revenue Fund, one of 24 (4%) bank reconciliations tested were not performed on a timely basis, or within 30 days of month end. The bank reconciliation was performed 8 days late.

**Same person authorizing disbursements and performing recordkeeping**

**Issues noted in closed facilities related to locally held funds**

Issues were also noted during our review of the 3 closed facilities as follows:

**Inaccurate locally held funds reports**

- Four of 32 (13%) and 18 of 24 (75%) Form C-17s were not accurate at Jacksonville and Singer, respectively.

- Eight of 32 (25%) Form C-17s did not utilize proper cut-off reporting dates. Cut-off dates utilized were from 12 to 24 days after the end of the quarter. (Jacksonville)
- Inconsistent interest income noted**
- Eight of 32 (25%) interest income amounts reported on the DHS Other Special Trusts Fund Form C-17s did not appear reasonable or consistent. The interest income amounts accrued between quarters ranged from \$0 to \$13,319. (Jacksonville)
- Inaccurate Quarterly Activity Statements**
- Two of 32 (6%) Quarterly Activity Statements were not accurate. The third and fourth quarter fiscal year 2013 Quarterly Activity Statements each reported balances of \$28,722 when both of the amounts reported should have been \$0. (Jacksonville)
- Bank reconciliation and fund report did not agree**
- The amount of cash on Singer's bank reconciliation did not agree with the amount on the Form C-17. Auditors noted unreconciled differences ranging between \$400 and \$800 covering all four locally held funds.
- Bank reconciliations prepared late**
- Twenty of 24 (83%) bank reconciliations supporting Form C-17 were prepared between 17 and 39 days late. (Singer)
- Locally held funds report not timely completed**
- Twelve of 24 (50%) Form C-17s were completed between 2 and 10 days late. (Singer)
- Unusual disbursements were noted**
- Auditors noted 7 unusual disbursements from the DHS Other Special Trusts Fund. The disbursements included gas for a State vehicle, fees for a resident's eye exam, guardian mailing fees, flashlights, late charges on an invoice, and an IPASS transponder and tolls. (Singer)
- Records were not able to be provided at all 3 closed facilities**
- Jacksonville did not preserve or was unable to find records requested by the auditors: 45 of 67 (67%) bank statements, 67 of 67 (100%) bank reconciliations, 64 of 67 (96%) months of canceled checks, and a detailed listing of disbursements from the DHS Rehabilitation Fund from July 1, 2011 until the fund was closed.
  - Singer did not preserve or was unable to find records requested by the auditors: supporting documentation for outstanding checks and deposits noted on Singer's bank reconciliations and 7 of 15 (47%) final disbursements to residents from the DHS Resident's Trust Fund, totaling \$4,763.
- Auditors could not perform adequate close-out testing**
- Auditors noted Tinley Park was unable to provide all requested locally held fund documentation. Therefore, the auditors were unable to perform close-out procedures related to locally held funds. The Department provided access to boxes of documentation pertaining to the Center which were housed at Elisabeth Ludeman Developmental Center. The documentation showed activity ceased at the conclusion of fiscal year 2011 and restarted during fiscal

year 2013. Department officials indicated they were uncertain if the remainder of the Tinley Park's records had been sent elsewhere within the Department. (Finding 16, pages 58-63) **This finding was first reported in 2009.**

We recommended the Department develop, implement, and monitor a training program for all personnel involved in administering the Department's locally held funds to ensure Central Office and facility staff are educated of the requirements set forth in the statutes, Statewide Accounting Management System (SAMS), and, as applicable, Department policies and procedures related to these funds.

**Department agrees with auditors**

Department officials accepted the recommendation and stated that facility staff will be trained on specific requirements on the processing of locally held funds per statutes, (SAMS) and applicable Department policies and procedures for all postings and fund reconciliations with the bank statements. (For the previous Department response, see Digest Footnote #5).

#### **WEAKNESSES IN CONDUCTING ANNUAL ELIGIBILITY REDETERMINATIONS FOR KIDCARE (ALL KIDS)**

**57% of tested case files found no annual redetermination conducted**

During testing of 30 ALL KIDS case files, auditors identified 17 (57%) case files where an annual redetermination was not performed as required. Included in the 17 exceptions were 3 instances of passive redeterminations that occurred during fiscal year 2012. Department personnel indicated the Department eliminated the use of passive redeterminations in July 2012; however, the active redetermination procedures did not become effective until January 2013. The passive redetermination process included sending a form to the client annually which is required to be completed only upon changes to the client's income. In this process, the Department assumed there were no changes if a response was not received. Passive redeterminations were utilized for cases that involved families where the only benefits received by the children were medical benefits. (Finding 36, pages 106-107) **This finding was first reported in 2005.**

**Weaknesses noted since 2005**

We recommended the Department monitor the transition of its eligibility redetermination process to ensure all redeterminations are performed on an active annual basis in compliance with the Act.

**Department agrees with auditors**

Department officials accepted the recommendation and stated they will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within prescribed timeframes. (For the previous Department response, see Digest Footnote #6).

**Multiple recipient numbers found during review of eligibility files**

**DUPLICATION OF MEDICAL ASSISTANCE ENROLLEES**

We reviewed the Title XIX eligibility files for fiscal year 2013, noting 29,684 Social Security Numbers (SSN) had been assigned approximately 60,840 recipient identification numbers. Recipient identification numbers are unique identification numbers (Recipient IDs) that are assigned to enrollees. Specifically, we noted:

- 28,316 SSNs with two different Recipient IDs;
- 1,276 SSNs with three different Recipient IDs;
- 83 SSNs with four different Recipient IDs;
- 7 SSNs with five different Recipient IDs;
- 1 SSN with six different Recipient IDs; and
- 1 SSN with seven different Recipient IDs.

**Overpayments of \$192,432 found as a result of duplicated enrollees**

We identified overpayments for duplicative capitation and coordinated care fee payments made by the HFS totaling \$192,432 in fiscal year 2013. These payments were for individuals that had more than one recipient identification number in the eligibility data. (Finding 37, pages 108-109)

We recommended the Department implement controls to ensure only one recipient identification number is assigned to a social security number/individual.

**Department agrees with auditors**

Department officials accepted the recommendation and stated that they have a written policy that includes instructions for assigning RINs that aim to minimize duplication. They also stated they will continue to review and correct duplicate IDs and to recover any improper payments. Additionally, when the Integrated Eligibility System is fully operational in 2015, the Department expects improved controls that will minimize the creation of duplicate IDs.

**Deceased individuals found as eligible in Medical Assistance records**

**MEDICAL ASSISTANCE RECORDS NOT UPDATED TIMELY FOR DECEASED INDIVIDUALS**

The Department's fiscal year 2013 records of individuals eligible for participation in the medical assistance program under Title XIX of the Social Security Act included individuals that were deceased according to the Illinois Department of Public Health Vital Records data.

**8,232 deceased individuals were identified as being eligible**

We identified 8,232 individuals for which the Department of Public Health had a death record, but were eligible for medical services. Of the 8,232 deceased individuals with eligibility, 3,522 died prior to Fiscal Year 2013. (We recognized that the Department does not have instantaneous access to death records, and for the purposes of this finding, the 8,232 total includes only those individuals still included as eligible for medical services more than 60 days after their date of death. The comparison was based on an exact match of name, date of birth, and Social Security Number.)

**\$12.3 million was paid for capitation and fee-for-service medical costs for 2,850 deceased individuals**

In our review of payment data, we noted the following:

- \$12.3 million was paid for capitation and fee-for-service medical costs for 2,850 of the 8,232 deceased individuals.
- \$11.4 million of the \$12.3 million (93%) was paid specifically for capitation arrangements.
- The \$11.4 million was paid on behalf of 993 individuals whose date of death was more than 60 days prior to the payment date.
- 94 percent of the eligibility for the 993 individuals were aged, blind, or disabled.

The payments for capitation arrangements occurring more than 60 days after death began to increase on July 1, 2011, and have continued to steadily increase through the last data we received in connection with this testing, which was October 2013. As of October 1, 2013, capitation payments were continuing to be paid for 861 of the 993 individuals (87%) identified. (Finding 38, pages 110-113)

We recommended the Department improve its system of internal controls to ensure death dates for current enrollees are entered timely.

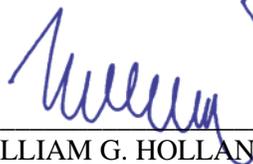
**Department agrees with auditors**

Department officials accepted the recommendation. DHS and HFS stated they prioritize program integrity and cancelling ineligible cases, and have cancelled approximately 57,000 cases in the past 2 years due to the death of a recipient. DHS indicated they have several procedures in place in order to delete and/or cancel deceased clients as soon as possible. Additionally, the Department stated they have recently created an Administrative Control Unit and are investigating the sources of electronic information available to ensure they have the most accurate and current information available.

## **AUDITORS' OPINION**

The auditors stated the Department's financial statements as of June 30, 2013 and for the year then ended were presented fairly in all material respects.

A compliance examination of the Department was also conducted as required by the Illinois State Auditing Act. The Accountant's Report noted the Department did not comply in all material respects with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations as well as requirements regarding obligating, expending, receiving and using public funds of the State.



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WILLIAM G. HOLLAND  
Auditor General

WGH:etl

## **SPECIAL ASSISTANT AUDITORS**

Sikich LLP were our Special Assistant Auditors for this engagement.

## **DIGEST FOOTNOTES**

### **#1 - WEAKNESSES IN PREPARATION OF GAAP REPORTING FORMS AND FINANCIAL STATEMENTS – Previous Department Response**

2012: The Department agrees with the recommendation. The Department will implement procedures and cross-training measures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner. This will include seeking or allocating sufficient staff resources and the implementation of formal procedures to ensure GAAP financial information is prepared and submitted to the Office of the Comptroller in a timely and accurate manner, and that all supporting documentation is maintained in a contemporaneous manner.

**# 2 - WEAKNESSES OVER QUARTERLY REPORTING OF ACCOUNTS RECEIVABLE - Previous Department Response**

2012: The Department agrees with the recommendation. The Department continues to review the Accounts Receivable agency wide. Based on the results of the review, we will establish and implement any changes as solutions occur. DHS is in the process of consolidating the financial reporting from the three Accounts Receivable Systems. The Department will continue to work with the appropriate parties regarding any possible state-wide consolidated accounting system initiatives.

**#3 - INADEQUATE COMPLIANCE WITH PROCEDURES FOR DISPOSAL OF CONFIDENTIAL INFORMATION - Previous Department Response**

2011: Agree. The Department will ensure confidential information is adequately protected and that procedures for safeguarding, retention and subsequent disposal of all confidential information should be effectively communicated to all Department personnel, including facilities.

**#4 - INTERNAL CONTROL WEAKNESSES IN THE HOME SERVICES PROGRAM - Previous Department Response**

2011: Agree. The Department will implement additional controls regarding timekeeping accuracy and reducing the caseload per counselor.

**#5 - INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS - Previous Department Response**

2011: Agree. The Department will ensure that facility personnel are reminded of the requirements set forth within the statutes, the Comptroller's SAMS Manual and Department policies and procedures related to the operation and maintenance of the locally held funds.

**#6 - WEAKNESSES IN CONDUCTING ANNUAL ELIGIBILITY REDETERMINATIONS FOR KIDCARE (ALL KIDS)-  
Previous Department Response**

2011: Agree. The Department is currently working with HFS (the state Medicaid Agency responsible for revising the medical redetermination process) to implement an active eligibility redetermination process and require eligibility redeterminations be completed on an annual basis in compliance with the Act; involving electronically verifying eligibility through automated sources, effective July 2012.

The MIS request that eliminates the passive redetermination process, and implements the newly developed electronic renewal process has been submitted. In addition, HFS is imposing new integrity measures to aggressively review client's continued eligibility as a result of the SMART Act passed and signed into law in June 2012. This includes utilizing private vendors with access to national databases to perform enhanced eligibility checks of income and residency as part of the redetermination process. HFS is working on securing the vendor and the development of detailed procedures for vendors as part of the redetermination process.