

# REPORT DIGEST

## STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT (excluding Component Units)

(Performed in Accordance  
with the Single Audit Act and  
OMB Circular A-133)  
For the One Year Ended:  
June 30, 2005

### Summary of Findings:

Total this audit	101
Total last audit	71
Repeated from last audit	44

Release Date:  
August 24, 2006



State of Illinois  
Office of the Auditor General  
**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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## SYNOPSIS

### Background

- ◆ The State expended \$15.9 billion from federal awards in FY 05.
- ◆ A total of 53 federal programs were classified and audited as major programs at fifteen (15) State agencies. These programs constituted approximately 95.2% of all federal spending or about \$15.1 billion.
- ◆ Overall, 43 State agencies expended federal financial assistance in FY 05. Ten (10) State agencies accounted for about 97.5% of federal dollars spent.

### Statewide Finding - Financial Reporting

- ◆ The State of Illinois does not have an adequate process in place to permit the timely completion of a complete and accurate schedule of expenditures of federal awards. As a result, the State has a *reportable condition*<sup>1</sup> on all federal programs.

### Auditor Disclaimer<sup>2</sup> Opinion

- ◆ The Department of Human Services lacked adequate fiscal administrative processes for the Special Education-Grants for Infants and Families with Disabilities to verify the program was administered in accordance with the provisions of laws, regulations, and the respective State Plans resulting in a *disclaimer*<sup>2</sup> of opinion by the auditors.

### Significant Agency Findings Classified as a *Material Weakness*<sup>3</sup> Resulting in An Auditor Qualification

- ◆ The Department of Human Services has a *material weakness* for:
  - including unallowable expenditures in the reporting of costs incurred by the State as expenditures and using an unapproved cost allocation methodology for the Temporary Assistance for Needy Families.
  - failing to perform re-determinations of eligibility within the time-frames prescribed by regulation for the Temporary Assistance for Needy Families, State Children's Health Insurance, and Medicaid programs.
  - failing to enforce sanctions required by the State Plan for individuals receiving benefits from the Temporary Assistance for Needy Families program.
  - including unallowable expenditures in the reporting of costs incurred by the State as expenditures of the Temporary Assistance for Needy Families program.
  - making unallowable expenditures on behalf of eligible beneficiaries of the Rehabilitation Services-Vocational Rehabilitation Grants to States program.
  - failing to determine the eligibility of beneficiaries under the Rehabilitation Services-Vocational Rehabilitation Grants to States program in accordance with Federal regulations.

- ◆ The Department of Public Aid has:
  - a *material weakness* for not referring recipients of the Temporary Assistance for Needy Families program but who are non-cooperative in establishing paternity under the Child Support Enforcement Program for sanctioning.
  - *Audit Scope Limitation*<sup>4</sup> on the Low-Income Home Energy Assistance program because documentation supporting the household data was not maintained.
- ◆ The Department of Children and Family Services has a *material weakness*:
  - due to missing case file documentation to support eligibility determinations for beneficiaries of the Adoption Assistance program.
  - due to a failure to ensure that judicial determinations were made in court rulings for the Foster Care Title IV-E.
  - due to late permanency hearings on the Foster Care program.
- ◆ The Department of Public Health has a *material weakness* due to lack of an adequate process for determining client eligibility on the HIV Care Formula Grants program.
- ◆ The Student Assistance Commission has a *material weakness* due to not complying with the regulations regarding submission and processing of reinsurance claims of the Federal Family Education Loan program.
- ◆ The Department of Transportation has a *material weakness* due to not obtaining certifications from subrecipients for not being suspended or debarred from Federal participation for the Airport Improvement program.
- ◆ The Department of Employment Security has:
  - a *material weakness* in the Trade Adjustment Assistance – Workers program because benefit payments were made to ineligible beneficiaries and missing client eligibility file documentation.
  - an *Audit Scope Limitation*<sup>4</sup> on the Employment Services Cluster programs because documentation supporting key information on performance reports was not retained.
- ◆ The IL State Police has a *material weakness* due to failure to follow property management regulations prescribed in the Administrative Code.

### Findings Involving Multiple Agencies

- ◆ The Departments of Human Services (DHS), Public Aid (DPA), and the Commerce and Economic Opportunity (DCEO) have a *material weakness* for improperly using the same State expenditures for both the Maintenance of Effort requirement for the Temporary Assistance for Needy Families and to obtain an incentive award from the Low Income Home Energy Assistance program.
- ◆ The Departments of Public Aid (DPA), Children and Family Services (DCFS), Public Health (DPH), Transportation (DOT), and the Emergency Management Agency have a *material weakness* due to inadequate monitoring of subrecipient audit reports for federal programs.
- ◆ The Departments on Aging (DOA), Public Health (DPH), Transportation (DOT) and Emergency Management Agency have a *material weakness* due to inadequate and/or lack of on-site monitoring of subrecipients of federal awards.

Notes: Summary definitions of key terms used in the findings.

<sup>1</sup>*Reportable Condition*: Matters that represent a significant deficiency in the design or operation of internal control. This deficiency could adversely affect an agency's ability to initiate, record, process and report financial data.

<sup>2</sup>*Disclaimer*: A condition in the audit where the auditor was unable to form an opinion on the requirements of a major program.

<sup>3</sup>*Material weakness*: An internal control deficiency that is a reportable condition. The magnitude of the condition(s) noted raises the risk that noncompliance could occur and not be detected by employees in the normal course of performing their assigned function.

<sup>4</sup>*Scope Limitation*: A condition occurring in the audit where the auditor was unable to obtain sufficient evidential matter. This condition resulted in an inability to audit the program as required by federal regulations.

**STATE OF ILLINOIS**  
**STATEWIDE SINGLE AUDIT**  
**For the Year Ended June 30, 2005 (in thousands)**

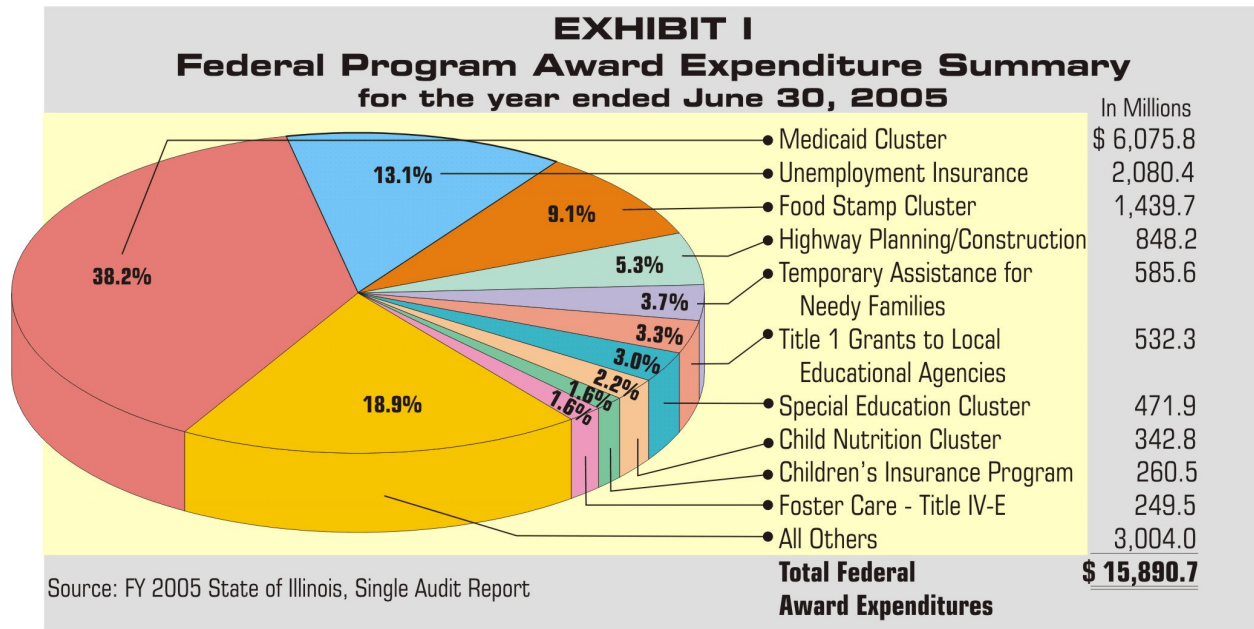
<b>FINANCIAL ACTIVITIES</b>	<b>FY 2005</b>	
<b>EXPENDITURES BY PROGRAM</b>	<b>Amount</b>	<b>Percent</b>
<b>Major Programs</b>		
Medicaid Cluster .....	\$6,075,828	38.2%
Unemployment Insurance .....	2,080,420	13.1%
Food Stamp Cluster .....	1,439,711	9.1%
Highway Planning and Construction .....	848,191	5.3%
Temporary Assistance for Needy Families .....	585,595	3.7%
Title I Grants to Local Educational Agencies .....	532,353	3.3%
Special Education Cluster .....	471,930	3.0%
Child Nutrition Cluster .....	342,770	2.2%
State Children's Insurance Program .....	260,455	1.6%
Foster Care – Title IV-E .....	249,474	1.6%
Child Care Cluster .....	225,742	1.4%
Federal Family Education Loans .....	221,197	1.4%
Special Supplemental Nutrition Program for Women, Infants & Children .....	183,443	1.2%
Workforce Investment Act Cluster .....	145,696	0.9%
Airport Improvement Program .....	128,656	0.8%
Improving Teacher Quality State Grants .....	119,846	0.8%
Low-Income Home Energy Assistance Program .....	107,156	0.7%
Rehabilitation Services - Vocational Rehabilitation Grants to States .....	94,971	0.6%
Child Support Enforcement .....	94,530	0.6%
Child and Adult Care Food Program .....	92,269	0.6%
Social Services Block Grant .....	87,826	0.6%
Adoption Assistance .....	81,293	0.5%
Block Grants for Prevention and Treatment of Substance Abuse .....	66,393	0.4%
Social Security Disability Insurance .....	66,301	0.4%
Homeland Security Cluster .....	63,494	0.4%
Aging Cluster .....	44,752	0.3%
Vocational Education - Basic Grants to States .....	44,623	0.3%
Employment Services Cluster .....	41,720	0.3%
Trade Adjustment Assistance – Workers .....	41,396	0.3%
Twenty-First Century Community Learning Centers .....	38,996	0.2%
Centers for Disease Control & Prevention-Investigations/Technical Assistance ..	38,805	0.2%
HIV Care Formula Grants .....	37,918	0.2%
Reading First State Grants .....	37,227	0.2%
Capitalization Grants for Clean Water State Revolving Funds .....	36,554	0.2%
Special Education Grants for Infants and Families with Disabilities .....	36,428	0.2%
Food Donation .....	36,028	0.2%
Capitalization Grants for Drinking Water State Revolving Funds .....	<u>24,082</u>	<u>0.2%</u>
Total Major Programs .....	15,124,069	95.2%
Non-Major Programs .....	<u>766,652</u>	<u>4.8%</u>
<b>TOTAL EXPENDITURES .....</b>	<b><u>\$15,890,721</u></b>	<b><u>100.0%</u></b>
<b>Federal Agencies Providing Funding:</b>		
	<b>Total</b>	<b>Major Program Expenditures</b>
U.S. Department of Health and Human Services .....	\$8,153,449	\$7,955,767
U.S. Department of Labor .....	2,320,762	2,309,232
U.S. Department of Agriculture .....	2,129,081	2,094,221
U.S. Department of Education .....	1,772,521	1,597,571
U.S. Department of Transportation .....	1,018,088	976,847
U.S. Department of Justice .....	118,223	34,757
U.S. Environment Protection Agency .....	102,000	60,636
U.S. Department of Homeland Security .....	57,416	28,737
Social Security Administration .....	66,924	66,301
All other federal agencies .....	<u>152,257</u>	<u>0</u>
	<b><u>\$15,890,721</u></b>	<b><u>\$15,124,069</u></b>
<b>STATISTICAL INFORMATION</b>		
	<b>FY 2005</b>	
Total Number of Programs in the Schedule of Expenditures of Federal Awards .....	347	
Number of Federal Programs Audited .....	53	
Total Number of State Agencies Spending Federal Funds .....	43	
Number of State Agencies Audited for Single Audit Requirements .....	15	

## INTRODUCTION

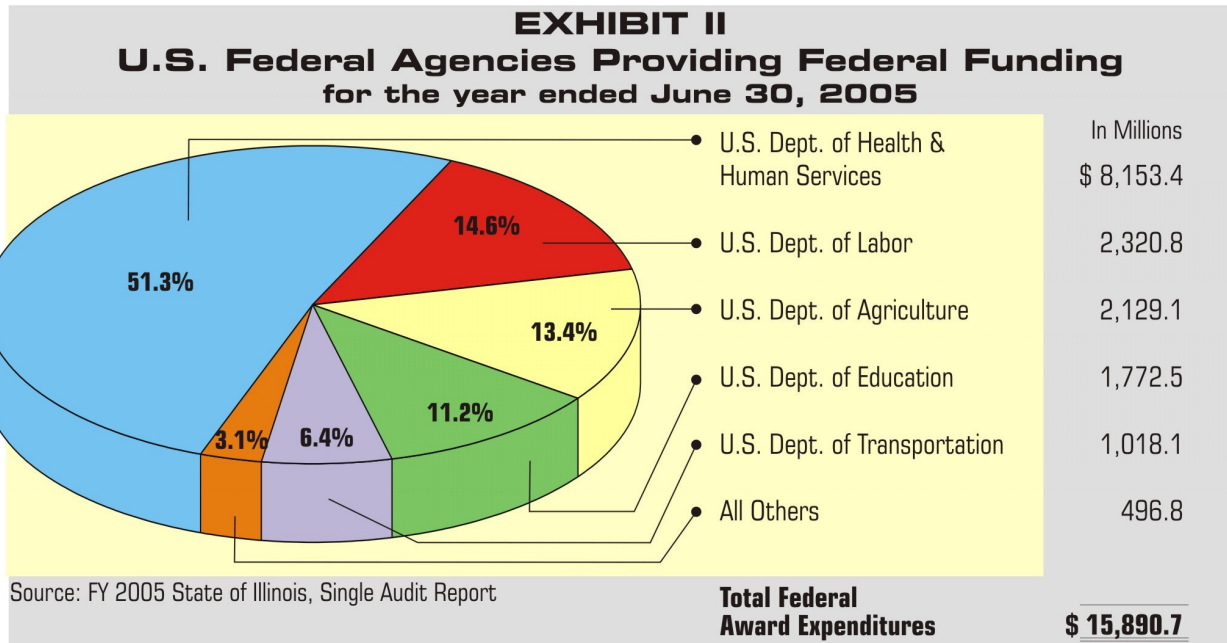
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY 05 federal grant programs. The audit was conducted in accordance with the federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

The Statewide Single Audit includes all State agencies that are a part of the primary government and expend federal awards. In total, 43 State agencies expended federal financial assistance in FY 05. A separate supplemental report has been compiled by the Illinois Office of the Auditor General. This report provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate OMB Circular A-133 audits.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of \$15.9 billion for the year ended June 30, 2005. Overall, the State participated in 347 different federal programs, however, 10 of these programs or program clusters accounted for approximately 81.1% of the total federal award expenditures. (See Exhibit I)



The funding for the 347 programs was provided by 21 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY 05.

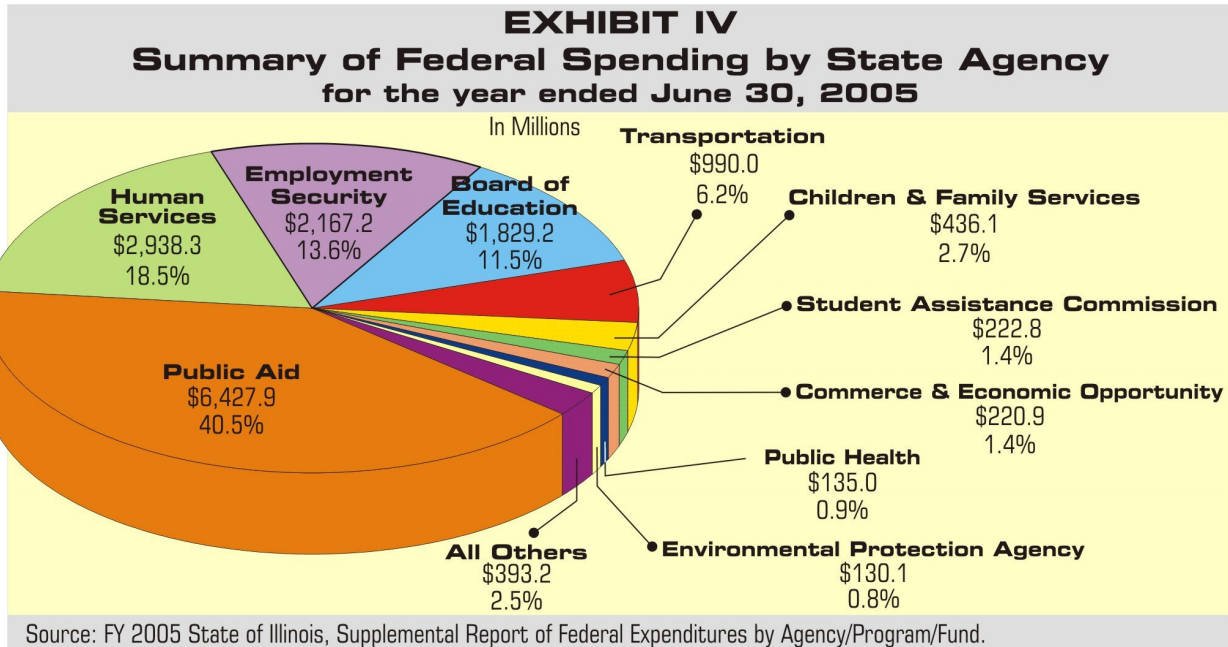


A total of 53 federal programs (or 37 programs or program clusters) were identified as major programs in FY 05. A major program was defined in accordance with Circular A-133 as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

**EXHIBIT III**  
**Classification of Federal Programs**  
**“Major vs. Non-Major”**  
**and Related Federal Award Expenditures**  
**for the year ended June 30, 2005**

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs	53	\$15,124.1	95.2%
Non-Major Programs	294	766.6	4.8%
<b>Total</b>	<b>347</b>	<b>\$15,890.7</b>	<b>100.0%</b>

Ten State agencies accounted for approximately 97.5% of all federal dollars spent during FY 05 as depicted in Exhibit IV.



**AUDITORS' REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO**  
**EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**

The auditors' report contained a disclaimer opinion, scope limitations and qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 25-29 of the audit.

**Disclaimer**

The auditors disclaimed an opinion on the Special Education - Grants for Infants and Families with Disabilities program as a result of an inability to evaluate and perform sufficient audit procedures to satisfy themselves that Department of Human Services' submitted costs (1) met the allowability criteria under OMB Circular A-87; (2) were for activities allowed under Part C program regulations; (3) were net of applicable program income amounts; and (4) were incurred and paid within the related period of availability. (Finding 05-15, pages 70-72)

**Scope Limitation**

The auditors were unable to obtain sufficient documentation to verify the annual performance report for the Low-Income Home Energy Assistance Program (LIHEAP) at the Illinois Department of Public Aid (DPA). DPA failed to maintain adequate supporting documentation submitted on the Federal Fiscal Year 2005 Annual Households Assisted by LIHEAP report. Also, the Illinois Department of Employment Security was not able to provide documentation to support key information contained on quarterly Performance Reports for the Employment Services Cluster. Consequently, the auditors were unable to test the reported information. These deficiencies resulted in the inability to audit the Programs as required by OMB Circular A-133.

<b>State Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Public Aid	Low-Income Home Energy Assistance Program	Reporting	05-35	120-121
IL Department of Employment Security	Employment Services Cluster	Reporting	05-86	240-241

**Qualifications**

The auditors qualified their report on major programs for the following noncompliance findings:

<b>State Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles	05-16	73-75
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Maintenance of Effort	05-17	76-78
IL Department of Human Services	Low-Income Home Energy Assistance	Allowable Costs/Cost Principles and Reporting	05-17	76-78
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	05-18	79-81
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	05-18	79-81
IL Department of Human Services	State Children’s Insurance Program	Allowable Costs/Cost Principles and Eligibility	05-18	79-81
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Special Tests and Provisions	05-19	82-84
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles	05-20	85-86
IL Department of Human Services	Rehabilitation Services – Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles and Eligibility	05-21	87-89

IL Department of Human Services	Rehabilitation Services – Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles and Eligibility	05-22	90-91
IL Department of Public Aid	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Maintenance of Effort	05-32	113-114
IL Department of Public Aid	Low-Income Home Energy Assistance	Allowable Costs/Cost Principles and Reporting	05-32	113-114
IL Department of Public Aid	Low-Income Home Energy Assistance	Subrecipient Monitoring	05-33	115-117
IL Department of Public Aid	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Special Tests and Provisions	05-34	118-119
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	05-44	138-139
IL Department of Children and Family Services	Foster Care - Title IV-E	Allowable Costs/Cost Principles and Eligibility	05-45	140-141
IL Department of Children and Family Services	Foster Care - Title IV-E	Allowable Costs/Cost Principles and Eligibility	05-46	142-143
IL Department of Children and Family Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	05-47	144-146
IL Department of Children and Family Services	Foster Care - Title IV-E	Subrecipient Monitoring	05-47	144-146
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	05-47	144-146
IL Department of Children and Family Services	Social Services Block Grant	Subrecipient Monitoring	05-47	144-146
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	05-52	155-156
IL Department of Public Health	HIV Care Formula Grants	Allowable Costs/Cost Principles and Eligibility	05-54	160-161
IL Department of Public Health	Centers for Disease Control and Prevention – Investigations and Technical Assistance	Subrecipient Monitoring	05-55	162-163
IL Department of Public Health	HIV Care Formula Grants	Subrecipient Monitoring	05-55	162-163
IL Department of Public Health	Centers for Disease Control and Prevention – Investigations and Technical Assistance	Subrecipient Monitoring	05-56	164-165
IL Department of Public Health	HIV Care Formula Grants	Subrecipient Monitoring	05-56	164-165
IL Student Assistance Commission	Federal Family Education Loans	Special Tests and Provisions	05-69	194-197
IL Department of Transportation	Airport Improvement Program	Suspension and Debarment	05-75	209-210
IL Department of Transportation	Airport Improvement Program	Subrecipient Monitoring	05-76	211-212
IL Department of Transportation	Airport Improvement Program	Subrecipient Monitoring	05-77	213-214
IL Department of Transportation	Highway Planning and Construction Cluster	Subrecipient Monitoring	05-77	213-214



IL Department of Commerce and Economic Opportunity	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Maintenance of Effort	05-83	229-231
IL Department of Commerce and Economic Opportunity	Low-Income Home Energy Assistance	Allowable Costs/Cost Principles and Reporting	05-83	229-231
IL Department of Employment Security	Trade Adjustment Assistance – Workers	Allowable Costs/Cost Principles and Eligibility	05-85	237-239
IL Emergency Management Agency	Homeland Security Cluster	Subrecipient Monitoring	05-96	261-263
IL Emergency Management Agency	Homeland Security Cluster	Subrecipient Monitoring	05-97	264-265
IL State Police	Homeland Security Cluster	Equipment and Real Property Management	05-101	269-270

As identified above and described in the report’s schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs.

### **Internal Control Over Financial Reporting**

We noted certain matters involving internal control over financial reporting of the Schedule of Expenditures of Federal Awards (Schedule) that were considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting of the Schedule that, in the auditors’ judgment, could adversely affect the State’s ability to record, process, summarize and report financial data consistent with the assertions of management. There were 16 findings reported in the single audit classified as financial reporting reportable conditions.

### **Internal Control Over Compliance**

We noted certain matters involving internal control over compliance that were considered to be reportable conditions. Reportable conditions involve matters coming to the auditors’ attention relating to significant deficiencies in the design or operation of internal control over compliance that, in the auditors’ judgment, could adversely affect the State’s ability to administer a major federal program in accordance with the applicable requirements. Overall, 88 of the 101 findings reported in the single audit were classified as compliance reportable conditions.

Material weaknesses were also disclosed in our report. In general, a material weakness is a condition in which the design or operation of internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Overall, 42 of the 101 findings reported in the single audit were classified as both a material weakness and a reportable condition.

**FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

Exhibit V summarizes the number of report findings by State agency, identifies the number of repeat findings, and references the findings to specific pages in the report.

**EXHIBIT V  
Summary Schedule of Findings By Agency**

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
State Comptroller	1	1	35-36
Human Services	18	10	37-38, 67-109
Revenue	1	0	110-112
Public Aid	12	5	113-137
Children & Family Services	9	3	39-40, 138-154
Aging	2	1	155-159
Public Health	7	5	41-42, 160-171
State Board of Education	10	3	43-44, 172-193
Student Assistance Commission	6	4	45-46, 194-206
Community College Board	2	2	47-48, 207-208
Transportation	9	4	49-50, 209-228
Commerce and Economic Opportunity	3	1	51-52, 229-236
Employment Security	10	3	53-54, 237-256
Environmental Protection Agency	2	1	257-260
Emergency Management Agency	6	0	55-56, 261-268
Corrections	1	0	57-58
Natural Resources	1	1	59-60
State Police	<u>1</u>	<u>0</u>	269-270
Totals	<u>101</u>	<u>44</u>	

## **THE FINANCIAL REPORTING PROCESS FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) IS INADEQUATE TO PERMIT TIMELY AND ACCURATE REPORTING**

The State's process and source of information used to prepare the SEFA are from automated and manual data collection forms designed and used by the Office of the Comptroller (IOC) in its preparation of the State's Basic Financial Statements. These agency-prepared forms are reviewed by the IOC and subsequently, by each agency's post auditor, whose reviews often identify needed corrections and a lack of completeness in their original preparation.

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### **State's process for collecting data is inadequate**

During our audit of agencies administering major Federal programs, we noted the State's process for collecting information to compile the SEFA is inadequate to permit timely and accurate reporting in accordance with the deadline prescribed in OMB Circular A-133 which is March 31 or within thirty days after the issuance of the basic financial statements, whichever is earlier.

Our review encompassed:

1. State Comptroller's documentation of when items were received and date review completed of accounting forms;
2. Items noted as needing correction or completion by the agency's post auditor; and
3. The time period lapsing for each participant to interact to correct or complete accounting and financial reporting information so a SEFA can be appropriately compiled and reported.

A variety of problems were noted in the submission and finalization of the State Comptroller forms, including accuracy, due to their complex nature and manual process.

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### **Lack of accuracy in reporting results in not meeting completion due dates**

For example, during our review of the financial reporting process, we noted agencies had not completed the IOC forms by their scheduled due date and/or correcting journal entries were identified by either the IOC or auditors to accurately state amounts reported by 12 of the agencies. These corrections occurred after the agency's submission of their GAAP packages to IOC. A brief summary follows:

<b>Finding</b>	<b>Agency</b>	<b>Adjustment to the Financial Report</b>
05-02	Human Services	Yes
05-03	Children and Family Services	Yes
05-04	Public Health	Yes
05-05	State Board of Education	Yes
05-06	Student Assistance Commission	Yes
05-07	Community College Board	Yes
05-08	Transportation	Yes
05-09	Commerce and Economic Opportunity	Yes
05-10	Employment Security	Yes
05-11	Emergency Management Agency	Yes
05-12	Corrections	Yes
05-13	Natural Resources	Yes

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**Errors, discrepancies, omissions and delays in financial reporting**

The type of errors, discrepancies, deficiencies, omissions, and delays varied by agency and fund.

Federal regulations require that a recipient of federal awards prepare appropriate financial statements, including the SEFA, and ensure that the required audits are properly performed and submitted when due. Also, the federal regulations require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

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**Auditor reportable condition due to inadequacies in the financial reporting process**

As a result of the errors, deficiencies and omissions noted throughout the process used by the State in its financial reporting process, along with the inability to meet the required filing deadline of 03/31/06, the auditors identified the inadequacies as a reportable condition for all federal programs administered by the State. (Findings 05-01 through 05-13, pages 35-60) **These findings were first reported in the Statewide Single Audit in 2002.**

We recommended the IOC review the current process and information system for compiling the SEFA and consider changes that will allow for completion of the State's OMB Circular A-133 audit within the required timeframe. Such a review should include consideration of implementing a statewide grant accounting system. Also,

State agencies should review the current process with the IOC and implement changes necessary to ensure timely submission of complete and accurate forms.

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**State Comptroller to consult with Governor’s Office of Management and Budget for solution**

The State Comptroller’s Office agrees that the State does not currently have an adequate process in place to permit the timely preparation of the SEFA. The Comptroller is to consult with the Governor’s Office of Management and Budget to establish and implement monitoring procedures for agencies’ reporting of federal award financial information, including the possible implementation of a statewide grant accounting system. Most agencies indicated a commitment to continue working with the State Comptroller and the Office of the Auditor General to ensure enhanced reporting in both accuracy and timeliness.

**INADEQUATE FISCAL ADMINISTRATIVE PROCESSES**

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**Failure to maintain Early Intervention program documentation**

The Department of Human Services (DHS) did not have adequate fiscal administrative processes to ensure the Special Education-Grants for Infants and Families with Disabilities (Early Intervention) program were administered in accordance with the provisions of laws, regulations, and the respective State Plans.

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**Maintenance of effort records not available**

The Early Intervention (EI) program covers a variety of services whose expenditures are claimed under three federal programs and a portion is used to meet the maintenance of effort (MOE) requirements for two federal programs. DHS identifies specific expenditures claimed under the Medicaid and Title XX programs. For the Part C (EI) and the Maternal Child Health Block Grant programs, DHS considers the remaining EI expenditures as “available” to meet the requirements of these two programs, but never identified specific expenditures since it was not available upon request. It became apparent that DHS was not monitoring whether the MOE requirements during the last three fiscal years were being met. Several attempts were made to substantiate the MOE calculation, but were never satisfactorily achieved.

Federal regulations require grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities. Also, the A-102 Common Rule requires DHS to establish and maintain

internal controls designed to ensure compliance with Federal laws, regulations, and program compliance requirements. (Finding 05-15, pages 70-72)

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**Auditors issue disclaimer of an opinion**

As a result of the auditor's inability to select a sample from a complete population of expenditures claimed for reimbursement or used to meet the MOE requirements, the auditors' issued a disclaimer of an opinion.

We recommended DHS review its process for identifying expenditures claimed for reimbursement and to meet its maintenance of effort requirements and implement changes necessary to ensure federal and state expenditures are identified and accounted for, prior to cash draws, in accordance with applicable program regulations.

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**DHS accepts the auditor recommendation**

DHS accepted the finding and stated they had begun a review of their EI program and expect to implement proper accounting and enhancement for claiming reimbursement prior to drawing the cash on or before July 1, 2006.

**UNALLOWABLE COSTS CHARGED TO THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM**

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**Auditors questioned \$9,600,000 in program costs**

The Department of Human Services (DHS) claimed expenditures under the Temporary Assistance for Needy Families (TANF) program which were unreasonable and were determined using an unapproved cost allocation methodology. As a result, the auditors question \$9.6 million in expenditures.

During the State fiscal year ended June 30, 2005, DHS claimed \$9.6 million of expenditures under its TANF program from the adult education program operated by the DOC. The purpose of the education program is to provide education to inmates in correctional facilities to improve their self-sufficiency and ability to attain employment when released from prison. The interagency agreement between DHS and DOC does not identify the inmate eligibility criteria, allowable cost provisions, and any applicable TANF laws and regulations.

Subsequent to the execution of the interagency agreement, the two agencies informally identified criteria to be used in identifying inmates for claiming under TANF.

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**Expenditures are not reasonable costs**

However, neither agency has implemented procedures to ensure that the inmates served under this program will be released within a reasonable period of time to enable them to benefit from the skills attained from the program. Consequently, these expenditures are not reasonable costs as defined in OMB Circular A-87. (Finding 05-16, pages 73-75)

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**Auditor qualification for unallowable TANF expenditures**

As a result of DHS including the incarcerated adult education program as a qualifying TANF reimbursable activity, the auditors qualified their report on the TANF program.

We recommended DHS work with DOC to establish formal eligibility criteria for inmates to be claimed under the TANF program. In addition, we recommended the two agencies obtain federal approval of the cost allocation methodology being used.

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**DHS disagrees with finding**

DHS officials did not agree with the finding. Their position is the adult education program is to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage. DHS also believes the education costs, as calculated, can be “tied” to individual inmates. Accordingly, the costs fall under the definition of a direct cost and negate the need to obtain federal cognizant agency approval.

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**Auditor Comment**

In an auditor’s comment we noted the adult education program was to provide funding for educational programs from which individuals will not benefit for extended periods of time. Based upon consultation with federal TANF program personnel, we have interpreted a reasonable period of time to be three years. Neither DHS nor the DOC have implemented procedures to ensure that the inmates served by this program will be released within a reasonable period of time to benefit from the skills obtained. In addition, we believe the “per hour” amount calculated represents an indirect cost allocation methodology since the calculation each month varies as a result of the course costs and the number of inmates served. It is these variances that inhibit DHS’ ability to directly link an eligible individual with the amount claimed.

**FAILURE TO PERFORM RE-DETERMINATIONS OF ELIGIBILITY WITHIN PRESCRIBED TIMEFRAMES**

The Department of Human Services (DHS) is not performing eligibility re-determinations in accordance with timeframes required by the respective State Plans for the Temporary Assistance for Needy Families (TANF), State Children’s Health Insurance Program (SCHIP), and Medicaid programs.

During our test work of required eligibility criteria, we noted the State was delinquent (overdue) in performing the eligibility re-determinations of individuals for the three programs during June 2005 as follows:

TANF	3,289 of 41,756 cases	7.9%
SCHIP	58,698 of 509,497 cases	11.5%
Medicaid	31,899 of 368,214 cases	8.7%

Failure to properly perform eligibility re-determination procedures in accordance with State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 05-18, pages 79-81) **This finding was first reported in the Statewide Single Audit in 2003.**

As a result of DHS’s failure to perform timely re-determinations of recipient eligibility, the auditors qualified their opinion on the TANF, SCHIP, and Medicaid programs.

We recommended DHS review its current process for performing eligibility re-determinations and consider changes necessary to ensure all re-determinations are performed within the timeframes prescribed within the State Plans for each affected program.

DHS officials agreed with our recommendations. They are to review their current process for performing eligibility re-determinations and consider any changes to ensure all re-determinations are made within timelines prescribed by federal guidelines. (For previous agency response, see Digest Footnote #1)

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**DHS delinquent in performing recipient eligibility re-determinations**

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**Auditor qualification due to untimely eligibility re-determinations**

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**DHS accepts the auditor recommendation**



## **FAILURE TO FOLLOW AND DOCUMENT TANF SANCTION PROCEDURES**

The Department of Human Services (DHS) did not enforce sanctions required by the State Plan for individuals receiving benefits under the Temporary assistance for Needy Families (TANF) program who did not cooperate with child support enforcement efforts.

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### **Non-cooperating child support clients violate regulations**

As a condition of receiving cash assistance under the TANF program, beneficiaries are required to assist the State in establishing paternity or establishing, modifying, or enforcing child support orders by providing information to the Department of Public Aid (DPA) to help identify and locate non-custodial parents. In the event a TANF beneficiary fails to assist DPA without good cause, DHS is required to reduce or deny his/her TANF benefits.

During our test work over the Child Support Non-Cooperation Special Test of the TANF program, we selected 30 Child Support cases referred by DPA for non-cooperation without good cause. We noted the following exceptions:

- (1) In two cases, DHS did not sanction beneficiaries for non-cooperation and no evidence was in the case files documenting that good cause existed for non-cooperation. Benefit payments paid to these individuals during the year were \$4,940.
- (2) In six cases, DHS did not evaluate beneficiaries for non-cooperation within required timeframes. There was no evidence in these case files documenting the reasons for these delays. Delays in evaluating cases ranged from nine to 79 days. Benefit payments paid to these individuals during the year were \$3,130.
- (3) DHS did not sanction beneficiaries for non-cooperation or document good cause existed for the non-cooperation with DPA. Upon further discussions with DHS and DPA management, we noted the process for identifying individuals who did not cooperate with DPA was suspended during the period of May 13, 2004 through September 30, 2004, resulting in approximately 3,712 cases not being evaluated to determine whether sanctions were required during this period. Benefits paid to these individuals during the period May 13, 2004 to June 30, 2004 were \$504,466. Benefits paid to these individuals during the period from July 1, 2004 to September 30, 2004 were \$1,784,184.

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### **Agencies suspend notification process for 4.5 months and did not evaluate 3,712 cases**

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### **DPA gave amnesty to non-cooperating child support clients**

Federal regulations requires the State take appropriate action by deducting an amount equal to at least 25% of the family's assistance payment or denying any assistance under the program. (Finding 05-19, pages 82-84) **This finding was first reported in the Statewide Single Audit in 2003.**

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**Auditor qualification for failure to enforce sanctions**

As a result of DHS's failure to sanction beneficiaries for non-cooperation with Child Support Enforcement efforts in accordance with the State Plan, the auditors qualified their report on the TANF program.

We recommend DHS review its current process for sanctioning beneficiaries not cooperating with the State's child support enforcement efforts and consider changes necessary to ensure benefits are reduced or denied in accordance with the State's Plan.

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**DHS disagrees with part of the finding**

DHS officials did not agree with the entire finding. The Department did agree with the first point and will seek to recover the amount paid. DHS officials did note that their subsequent review of the six cases in the second point revealed that there would not have been cause to sanction. In response to the third point, DHS indicated that (1) they did not sanction during the noted period, (2) DPA has now implemented a new intake model, and (3) all non-cooperative TANF recipients are being sanctioned as appropriate.

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**Auditor Comment**

In an auditor's comment we stated that although DHS provided documentation supporting that the cases included in the first and second points were sanctioned in a period subsequent to our test period, the documentation did not clearly demonstrate that DHS had determined good cause existed in our test period and that a sanction was not required during the tested period. As such, we do not believe DHS complied with the applicable regulations in these cases.

In addition, the TANF State Plan clearly states DHS is required to sanction TANF recipients who fail to cooperate with the Child Support Enforcement program where there is not a valid good cause for failing to cooperate with the Child Support Enforcement program. As discussed in the finding, for the period from May 13, 2004 through September 30, 2004, DHS did not evaluate 3,712 TANF cases in which a notice of non-cooperation was generated by the KIDS

system to determine if good cause existed. DHS and DPA agreed to grant these cases amnesty due to change in the Child Support Enforcement intake process without further investigation or evaluation. We do not believe it is within the State's authority to determine good cause without first evaluating the specific facts and circumstances pertaining to each case in accordance with its established policies and procedures. (For previous agency response, see Digest Footnote #2)

### **UNALLOWABLE COSTS CHARGED TO THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM**

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**Auditor questions \$1.9 million in program costs**

The Department of Human Services (DHS) claimed expenditures under the Temporary Assistance for Needy Families (TANF) program for a state operated program that did not meet one of the four purposes of the TANF program. As a result, the auditors question \$1.9 million in expenditures.

DHS claimed \$1.9 million of expenditures under its TANF program from the Regional Safe Schools program operated by the State Board of Education. The purpose of the Regional Safe Schools program is to provide alternative education to residents who have been expelled from local school districts for behavioral problems.

The State TANF Plan is submitted to and approved by the U.S. Department of Health and Human Services (USDHHS). The plan identifies those activities the State offers as part of its TANF program. Additionally, federal regulations relating to expenditures on behalf of eligible families for educational services or activities provided through the public education system do not qualify unless they are (1) provided to increase self-sufficiency, job training, and work, and (2) they are not generally available to other residents of the State without cost and without regard to their income. (Finding 05-20, pages 85-86) **This finding was first reported in the Statewide Single Audit in 2003.**

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**Audit qualification for unallowable TANF expenditures**

As a result of DHS including the State's Regional Safe School program as a qualifying TANF reimbursable activity, the auditors qualified their report on the TANF program.

We recommended DHS implement procedures to ensure only expenditures made for programs that are included in the State Plan and that meet one of the four purposes of TANF are claimed.

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**DHS partially accepts auditor recommendation**

DHS officials have partially agreed with the finding. They indicate they have complied with the federal program instruction on educational costs issued in April 2005. (For previous agency response, see Digest Footnote #3)

**UNALLOWABLE EXPENDITURES CHARGED TO THE VOCATIONAL REHABILITATION PROGRAM**

The Department of Human Services (DHS) made unallowable expenditures on behalf of eligible beneficiaries of the Rehabilitation Services – Vocational Rehabilitation Grants to States (Voc Rehab) program.

The Voc Rehab program is designed to provide services to certain individuals who have physical or mental impairments that impede them in attaining employment. Services provided to the individuals vary and are designed specifically for each beneficiary based upon the facts and circumstances. Most services are considered allowable if they assist the individual in attaining his/her employment goal and are documented in the Individualized Plan for Employment file.

During our testwork, we selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions:

- In two cases, a signed copy of the Individualized Plan for Employment (IPE) was not on file. Payments made during the year for services to these beneficiaries totaled \$2,297.
- In one case, payments were made on behalf of a beneficiary to pursue an undergraduate degree, which was not consistent with the client's vocational goal as documented in her IPE. As these expenditures do not appear to be necessary to assist her in attaining her vocational goal, and not documented in her IPE, they are not allowable. Expenditures made on behalf of this individual to obtain her undergraduate degree during the year totaled \$666. Expenditures made for the same purpose in previous years were \$1,928.

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**Auditor questions program costs totaling \$17,805**

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**Client files lack adequate documentation to support allowability of costs**

- In one case, payments were made on behalf of a beneficiary to establish a business for which a self-employment business plan was not completed. Additionally, the individual did not live in an area in which he would be able to use his skills, and as such, the costs to other areas of the state to develop a customer base were charged to the program. As this individual's vocational goal was effectively self-employment, the beneficiary should have (1) had prior business experience and training in the business, (2) a business plan (in addition to the IPE), and (3) costs should have been only 50% reimbursed. Expenditures made on behalf of this individual during the year totaled \$10,546. Expenditures made for the same purpose in previous years were \$2,368.

Federal regulations require an IPE be signed by both the eligible individual and a vocational counselor and must include certain specified criteria.

Additionally, the Ill. Administrative Code requires the beneficiary must have prior successful business operation experience and previous formal education/training in the business and must complete a business plan. (Finding 05-21, Pages 87-89)

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**Auditor qualification for unallowed costs**

As a result of DHS's failure to properly determine the allowability of costs in accordance with program regulation, the auditors qualified their report on the Vocational Rehabilitation program.

We recommended DHS review its process for determining the allowability of payments on behalf of beneficiaries and consider changes necessary to ensure only allowable costs determined eligible are charged to the federal program.

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**DHS accepts auditor recommendation**

DHS officials agreed with the finding and recommendation, and indicated they have provided reminders to staff and will review its rules to ensure that there is more clarity.

## **FAILURE TO DETERMINE ELIGIBILITY IN ACCORDANCE WITH PROGRAM REGULATIONS**

The Department of Human Services (DHS) did not determine the eligibility of beneficiaries under the Rehabilitation Services – Vocational Rehabilitation Grants to States program (Voc Rehab) in accordance with federal regulations.

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**Auditor questioned program costs due to lack of documentation and/or untimeliness in determining client eligibility**

During our testwork of the Voc Rehab beneficiary payments, we selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted:

- In three cases, DHS did not determine eligibility within the required 60-day timeframe. No payments were made during FY2005 for services related to these beneficiaries prior to the completion of the eligibility determinations, except those necessary to confirm the beneficiary's disability.
- In one case, services were provided to an individual whose case file did not document the existence of a physical or mental impairment that caused substantial impairment to attaining employment. The case file contained only a medical record of an emergency room visit, which indicated the individual was suffering from a headache. As the individual does not appear to have a documented disability, payments totaling \$401 made for services during FY2005 are not allowable.

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**Incorrect eligibility determinations by DHS**

Since the caseworker responsible for the above incorrect determination was terminated, we requested that DHS review all cases determined to be eligible by this caseworker. As a result, the following was noted:

- In two cases, DHS did not determine eligibility within the 60-day timeframe. No payments were made to these beneficiaries prior to completing the eligibility determinations, except those necessary to confirm the beneficiary's disability.
- In two cases, the individual case files did not document the existence of a physical or mental impairment that caused substantial impairment to attaining employment. However, limited services were provided in these cases due to the fact the beneficiaries failed to continue participation in the program. Payments made to these

individuals during FY2005 were \$255. (Finding 05-22, pages 90-91)

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**Auditor qualification for unallowed costs**

As a result of DHS's failure to properly and timely perform beneficiary eligibility, which results in unallowable costs, the auditors qualified their report on the Vocational Rehabilitation program.

We recommended DHS review its process for performing eligibility determinations and consider necessary changes to ensure compliance with all program regulations. Further, DHS should implement procedures to ensure eligibility determinations are reviewed where caseworkers are terminated.

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**DHS accepts auditor finding and recommendation**

DHS officials agreed with the finding and recommendation and stated they have reemphasized to staff the need to follow established program rules.

**FAILURE TO MAINTAIN SUPPORTING DOCUMENTATION FOR PERFORMANCE REPORT**

The Department of Public Aid (DPA) did not maintain adequate supporting documentation for household data included in the Annual Report on Households Assisted by the Low-Income Home Energy Assistance Program (LIHEAP).

The Report on Households Assisted by LIHEAP is submitted annually as part of the application for block grant funds each year. The report is designed to provide data for the preceding fiscal year relative to: (1) the number and income levels of the households assisted for each component (heating, cooling, crisis, and weatherization), (2) the number of households served that contained young children, elderly, or persons with disabilities, and (3) the number and income levels of households applying for assistance. DPA generates the report directly from the beneficiary information system which local administering agencies (LIHEAP subrecipients) use to report application data for program beneficiaries.

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**Documentation not retained to support information reported in annual report**

During our testwork over the Federal Fiscal Year 2005 Annual Households Assisted by LIHEAP report, we noted DPA did not maintain documentation supporting the household information reported. DPA queried the system for the household data relative to the number of individuals

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**DPA unable to reconcile differences**

receiving heating assistance during our audit; however, the number of individuals included in each heating assistance demographic category per the query did not agree to the number of individuals included in the same category in the report submitted. DPA was not able to reconcile the differences identified or provide supporting detail for the other assistance categories. (Finding 05-35, pages 120-121)

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**Audit scope limitation issued because auditors were unable to obtain sufficient documentation**

As a result of DPA's failure to maintain adequate documentation as noted above, the auditors issued a scope limitation on the Low-Income Home Energy Assistance program.

We recommend DPA implement procedures to ensure adequate supporting documentation is maintained for all federal reports.

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**DPA accepts auditor recommendation**

Department officials accepted the finding and stated the Office of Energy Assistance will implement procedures to ensure adequate supporting documentation is generated and maintained for all federal reports.

**MISSING DOCUMENTATION IN ELIGIBILITY FILES FOR ADOPTION ASSISTANCE PROGRAM**

The Department of Children and Family Services (DCFS) could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance Title IV-E (Adoption Assistance) program.

The Adoption Assistance program provides funds to States for adoption assistance agreements with parents who adopt eligible children with special needs. Under this program, DCFS is required to enter into adoption assistance agreements with adoptive parents who receive subsidy payments or reimbursement of nonrecurring adoption expenses on behalf of a special needs child. The adoption assistance agreement specifies the nature and amount of monthly assistance to be given to parents, as well as the nonrecurring expenses that will be reimbursed.

During our testwork of Adoption Assistance beneficiary payments, we reviewed 50 case files for compliance with eligibility requirements and allowability of related benefits. We noted the following exceptions:



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**Client files missing certain documentation**

- In one case, DCFS could not locate the final “adoption decree” evidencing the child was legally adopted. DCFS claimed adoption subsidy payments on behalf of this child totaling \$1,422 during the year ended June 30, 2005.
- In one case, DCFS claimed reimbursement for adoption subsidy payments which were not included in the adoption assistance agreement. Per review of case file documentation, the adoption assistance agreement only provided for the reimbursement of nonrecurring adoption expenses. DCFS claimed adoption subsidy payments on behalf of this child totaling \$2,669 during the year ended June 30, 2005. (Finding 05-44, pages 138-139)

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**Auditor qualification due to failure to maintain required information**

As a result of DCFS’ failure to maintain federal required case file documentation, the auditors qualified their opinion for the Adoption Assistance program.

We recommend DCFS review its procedures for documenting and executing adoption agreements and implement changes necessary to ensure adoption assistance agreements and final adoption decrees exist for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed.

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**DCFS accepts the auditor recommendation**

Department officials agreed and stated they will review procedures for obtaining and retaining the agreements, make necessary changes, where needed, and make the appropriate claiming adjustments for actual amounts included in claims relating to the beneficiary payments questioned by the auditors.

**FAILURE TO ENSURE THAT REQUIRED JUDICIAL DETERMINATIONS WERE MADE**

The Department of Children and Family Services (DCFS) did not ensure that required judicial determinations were made in applicable court rulings, including those pertaining to “Reasonable Efforts” and “Contrary to the Welfare.”

The Foster Care Program provides funds to States for the purpose of providing safe, appropriate, 24-hour substitute care for children who are under the jurisdiction of the DCFS and need temporary placement and care outside of

their home. To be eligible for reimbursement under the Foster Care program, DCFS is required to receive a judicial determination (court ruling) within 60 days as to what living arrangement is in the child's best interest and whether or not DCFS has made reasonable efforts to prevent removal by following the proper investigative procedures prior to removing the child from the home.

During our testwork over Foster Care beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions during our testwork:

- In one case, a judicial determination of reasonable efforts to prevent a child's removal from the home was not made in any of the court orders we reviewed.
- In two cases, a judicial determination of reasonable efforts to prevent a child's removal from the home was not made within 60 days from the date that child was removed from the home. The delays in making the judicial determination were 46 and 129 days after the required timeframe.
- In one of the two cases noted above, the court order removing the child from the home did not contain language to the effect that continuing in the residence would be contrary to the welfare of the child, or that placement would be in the best interest of the child.

DCFS claimed reimbursement for foster care maintenance payments made on behalf of these beneficiaries totaling \$9,955 during the year ended June 30, 2005. (Finding 05-45, pages 140-141)

As a result of DCFS failing to ensure that appropriate judicial determinations are made, the auditors qualified their report on the Foster Care Title IV-E program.

We recommended DCFS review its procedures for obtaining and documenting whether judicial determinations have been made for all beneficiaries. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of the required judicial determinations not being made.

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**DCFS failed to ensure required judicial determinations were performed or timely performed**

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**Auditor qualification due to failure to ensure judicial determinations**

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**DCFS accepts auditor recommendation**

DCFS officials agreed with the finding and stated they will review procedures for obtaining and documenting whether judicial determinations have been made and make necessary changes, where needed, to ensure determinations are made within the required timelines and that required language is included in the agreements. Also, DCFS will make the appropriate claiming adjustments for actual amounts included in claims relating to the beneficiary payments questioned by the auditors.

**FAILURE TO ENSURE FOSTER CARE PERMANENCY HEARINGS ARE PERFORMED WITHIN REQUIRED TIME FRAMES**

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**DCFS late in completing “permanency plans” for foster children**

The Department of Children and Family Services (DCFS) did not ensure that foster care permanency hearings were performed within the federally required timeframes.

During the review of 50 Foster Care program files, the auditors noted permanency hearings were not performed within the required timeframe for two of the beneficiaries tested. The delay in performing the permanency hearings ranged from 75 to 110 days after the required timeframe. This delay rendered these beneficiaries ineligible until the permanency hearings were conducted. Also, DCFS does not have a process in place to ensure permanency hearings were completed within required timeframes nor do they have a list of beneficiaries where permanency hearings are not completed. As a result, DCFS claimed reimbursement for foster care maintenance payment during this period where the child was determined to be “ineligible” totaling \$564.

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**Ineligible costs**

Each foster child’s permanency hearing is critical to the finalization of a “permanency plan.” It is the permanency plan that establishes goals for placement of the child in a permanent living arrangement, which may include reunification, adoption, legal guardianship, etc. The permanency hearing serves as the judicial determination that reasonable efforts have been made by DCFS to finalize the permanency plans.

In order to obtain reimbursement for foster care maintenance costs, DCFS must obtain a judicial determination that it has made reasonable efforts to finalize the permanency plan that is to be in effect within 12 months from the time a child enters foster care status. Also, each

foster child must have an annual renewal of the permanency plan thereafter. (Finding 05-46, pages 142-143) **This finding was first reported in the Statewide Single Audit in 2002.**

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**Auditor qualification for failure to ensure timely permanency hearings**

As a result of DCFS' failure to ensure timely permanency hearings of each child placed in foster care, the auditors qualified their report on the Foster Care program.

We recommended DCFS implement procedures to monitor each foster child's permanency hearing to ensure all hearings are held within the federally prescribed timeframes.

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**DCFS accepts auditor recommendation**

DCFS officials accepted the recommendation and stated they have developed and implemented a procedure for identifying and notifying foster and adoptive caretakers of permanency hearings and reviews. The Department will make the appropriate claiming adjustments for actual amounts identified by the auditor. In a follow-up note, DCFS participated in a joint eligibility review with the Administration for Children and Families. Since this review found less than five errors, DCFS was found to be in substantial compliance. (For previous agency response, see Digest Footnote #4)

**INADEQUATE PROCESS FOR DETERMINING CLIENT ELIGIBILITY**

The Department of Public Health (DPH) does not have an adequate process for performing client eligibility determinations for its HIV Care Formula Grant (HIV) program.

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**Changes needed in process of documenting HIV eligibility criteria**

The HIV program administered by DPH includes an AIDS Drug Assistance Program (ADAP) under which beneficiaries who meet certain eligibility criteria are provided drugs to treat HIV/AIDS. The eligibility criteria require that the beneficiary: (1) has been diagnosed with HIV/AIDS; (2) is at an income level at or below 400% of the federal poverty level; (3) is not eligible for 80% or greater coverage of drugs through a third party payer; (4) is ineligible for medical assistance through Medicaid; and (5) is an Illinois resident. DPH's current process for determining eligibility requires completing an application and submitting it either by mail or in person to a member of the HIV Consortium (DPH subrecipients of the HIV program). The application requires submission of proof of

income, insurance, residency, and documentation of a medical diagnosis of HIV/AIDS. DPH confirms with the Department of Public Aid that the individual is not receiving benefits under Medicaid.

During our testwork of benefits provided to 50 HIV beneficiaries eligibility files, we noted the following: (1) in fifteen cases, the case file did not contain documentation supporting a diagnosis of the HIV disease, and, (2) in 30 cases, the case file did not contain the documentation (i.e. wage statements or check stubs) DPH (or the subrecipient) used to verify the income level on the signed application. We did note that the income level on the signed application was at or below 400% of the federal poverty level.

Additionally, in 21 of the 50 cases, the beneficiary's application indicated the beneficiary had no income; and since DPH confirmed the individual was not receiving Medicaid benefits, a determination of Medicaid eligibility was not performed. As a result, no income verification procedures were performed to verify the income reported was accurate. Failure to adequately establish a beneficiary's eligibility may result in expenditures being made to or on behalf of ineligible beneficiaries, which are unallowable costs. (Finding 05-54, pages 160-161)

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**Auditor qualification for failure to have proper supporting documentation and resource verification**

As a result of DPH's failure to maintain adequate documentation in support of the eligibility determinations, the auditors qualified their report on the HIV Care Formula Grants program.

We recommended DPH review its current process for determining eligibility to include ensuring adequate documentation exists to support determinations, and verification of income and insurance with third party sources and other State agencies.

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**DPH accepts finding and recommendation**

DPH officials agreed with the finding and stated they have implemented corrective action by informing medical providers, case managers, and all applicants of the need to have all required documentation prior to reimbursement. If the information is not provided, DPH states they return the information along with a cover letter identifying the specific missing information. Further, DPH is checking the Medicaid database for eligibility of each applicant prior to approval of services and authorization for each refill.

## **PROCESSING AND SUBMISSION OF RE-INSURANCE CLAIMS**

The Illinois Student Assistance Commission (ISAC) did not comply with regulations regarding the submission and processing of reinsurance claims.

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### **ISAC's interpretation of FFELP regulations questioned by federal officials**

During FY 2003, the USDE-OIG conducted an audit of the Federal Family Education Loan Program (FFELP) to determine if, for the period October 1, 2002 through June 30, 2005, ISAC (1) adequately processed post-default collections related to administrative wage garnishments, and (2) properly submitted eligible reinsurance claims to USDE for defaulted student loans (default claims). The final audit report received from ED-OIG indicated ISAC did not comply with the regulations regarding the submission of eligible reinsurance claims. The audit report indicated that 50 claims were selected to test from a population of 21,732. Of the 50 tested (totaling \$123,521), 32 claims (or 64% totaling \$75,077) should have been returned to the lenders because the lender's claim packet was missing accurate collection and/or payment histories or contained evidence of a due diligence violation(s).

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### **ISAC has not changed its process**

The report stated that ISAC's claims review process is not adequate and is limited, and thus, does not comply with the regulations to fulfill their administrative responsibility. During the year ended June 30, 2005, ISAC has not changed its process for submission and payment of claims. However, subsequent to the ED-OIG audit in 2003, the USDE established an exceptional performer designation for certain lenders and lender servicers. Under this relatively new program, lenders that meet the exceptional performer requirements, including having a compliance audit of their loan portfolio which shows a performance rating of 97% or higher, receive 100% reimbursement on claims and are entitled to receive payments immediately without a claim review by ISAC.

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### **ISAC believes potential non-compliance issues have been mitigated**

During the year ended June 30, 2005, ISAC received \$76.2 million out of a total of \$122 million reinsurance claims from lenders that were designated as exceptional performers by the USDE. Accordingly, ISAC's current potential noncompliance is mitigated by the fact that 63% of the current claims are submitted by lenders who have been designated as exceptional performers. For these lenders, ISAC must pay the claim regardless of whether they identify

potential violations of the requirements relating to repayment conversion, due diligence, or timely filling. (Finding 05-69, pages 194-197) **This finding was first reported in the Statewide Single Audit in 2003.**

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**Auditor qualification due to non-compliance with program regulations**

As a result of the non-compliance with the federal regulations by ISAC, the auditors' issued a qualified opinion on their audit of the FFELP.

We recommended ISAC consult with the USDE to interpret the federal laws and regulations relating to the processing and submission of claims and make any necessary changes to conform to those requirements.

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**ISAC accepts the auditor finding and recommendation**

ISAC officials agreed with the recommendation and stated they will continue consultation with the USDE relative to the interpretation of federal laws and regulations relating to the processing and submission of reinsurance claims. Further, as recently as January 5, 2006, ISAC appealed the preliminary determination of the USDE Federal Student Aid staff relative to the findings of the ED-OIG, for the fiscal year 2003, which gave rise to the concerns expressed in this audit. In addition, ISAC as well as ED-OIG and USDE representatives conferred on March 22, 2006 to review the audit sample, which supported the concerns outlined in the ED-OIG's audit of 2003. ISAC expects that future consultations with the USDE including the ED-OIG will be held in an effort to satisfactorily resolve issues of concern.

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**ISAC appealed preliminary determination in January 2006 and meets with USDE in March 2006**

ISAC has also initiated an internal project designed to establish a post-claim review process meeting the requirements of USDE as outlined in a letter of December 19, 2005. It is expected that the first round of the post-claim review process, developed by ISAC, will be initiated for claims submitted during the second quarter of calendar year 2006. ISAC is also part of the student loan industry-wide work group presently formulating agreed approaches to the post-claim review process, as requested by the USDE. (For previous agency response, see Digest Footnote #7)

## **FAILURE TO OBTAIN SUSPENSION AND DEBARMENT CERTIFICATIONS FROM SUBRECIPIENTS**

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**DOT failed to verify contractor “suspension or debarment” status when contract is issued**

The Department of Transportation (DOT) did not obtain required certifications that subrecipients were not suspended or debarred from participation in Federal assistance programs for the Airport Improvement Program.

During our review of 11 subrecipients of the Airport Improvement Program, we noted DOT did not include a suspension and debarment certification in its subrecipient agreements. As a result, DOT did not receive certifications that the subrecipients of the Airport Improvement Program were not suspended or debarred from participation in Federal assistance programs. Additionally, DOT did not perform a verification check with the “Excluded Parties List System” (EPLS) maintained by the General Services Administration for its subrecipients. During the year ended June 30, 2005, DOT passed through approximately \$59,118,000 to 29 subrecipients of the Airport Improvement Program. (Finding 05-75, pages 209-210)

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**Auditor qualification due to failure to verify federal “debarment or suspension” status**

As a result of not verifying that subrecipients have not been debarred or suspended from participating in Federal assistance programs, the auditors’ qualified their opinion for the Airport Improvement Program.

We recommended DOT establish procedures to ensure grantees receiving individual awards for \$25,000 or more certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance program.

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**DOT accepts the finding and recommendation**

Department officials agreed with the finding and stated they will add the appropriate language to its Agency and Participation Agreement requiring all recipients of federal money to certify that they have not been suspended or debarred or otherwise excluded from participation in federal assistance.



## **INELIGIBLE BENEFIT PAYMENTS AND MISSING DOCUMENTATION**

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### **Benefit payments made to ineligible individuals and documentation missing**

The Department of Employment Security (DES) paid benefit payments to ineligible beneficiaries, and was unable to locate case file documentation supporting client eligibility determinations for the Trade Adjustment Assistance – Workers (TAA).

The purpose of the TAA and the North American Free Trade Agreement TAA (NAFTA-TAA) programs are to assist individuals who become unemployed or underemployed as a result of increased imports or a shift of production to Mexico or Canada to return to suitable employment. Workers certified under the TAA or NAFTA-TAA petitions filed prior to November 4, 2002 (date of TAA Reform Act), were to be served under the prior program regulations. The State’s One Stop Career Centers (and local offices) arrange for training and provide weekly trade readjustment allowances (TRA) for eligible program participants. In addition, an eligible individual may receive a job search allowance, a relocation allowance, and a transportation and/or subsistence allowance while attending approved training outside the normal commuting distance of their regular place of residence.

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### **Auditor questions program costs of \$499,420**

During our testwork of the TAA beneficiary payments, we selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. Our testwork noted the following exceptions:

- In thirty cases, the waiver form for training was either incomplete or lacked required documentation. TRA benefits paid to these individuals were \$265,407.
- In twenty cases, the worker’s enrollment date did not occur within the established deadlines. The TRA benefits improperly paid to these individuals were \$40,988.
- In five cases, the TAA-055 application form was not dated by the applicant. Benefits paid to these individuals were \$51,909.
- In one case, DES was unable to provide the TAA-055 application. Benefits paid to this individual were \$12,032.

- In one case, the TAA-055 application was not completed and was not signed by either the claimant or the regional office. Benefits paid to this individual during the year ended June 30, 2005 were \$2,176.
- In two cases, the TAA-055 application was blank but was signed by the applicant. Benefits paid to these individuals during the year ended June 30, 2005 were \$17,772.
- In twenty-two cases, DES did not properly approve and/or date the training agreements. We were unable to determine whether: (1) the worker was enrolled in an approved training program; (2) the worker's training start date occurred before the program was approved; and (3) the worker received TRA benefit payments before the training program was approved. Benefits paid to these individuals during the year ended June 30, 2005 were \$82,967.
- In ten cases, DES did not properly approve and/or date the vocational and training plan. We were unable to determine whether: (1) the worker was enrolled in a training program before the worker's skills and employment history has been assessed and approved; (2) the training program was necessary; or (3) the worker should have been waived from participating in a training program. Benefits paid to these individuals during the year ended June 30, 2005 were \$26,169.

Failure to follow eligibility requirements and maintain source documentation for eligibility determinations results in unallowable costs and ineligible benefit payments. Additionally, failure to properly approve documents supporting the eligibility determinations could result in federal funds being awarded to ineligible beneficiaries. (Finding 05-85, pages 237-239)

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**Inadequate documentation results in audit qualification on TAA program**

As a result of DES's failure to follow eligibility requirements, maintain adequate and properly approved documentation as noted above, the auditors qualified their report on the Trade Adjustment Assistance – Workers program.

We recommended DES review its procedures for approving and documenting eligibility determinations in the case files and implement any changes necessary to ensure payments are made only to eligible participants. Further,

DES should implement procedures to ensure vocational and training plans, training agreements, and applicable waiver forms exist and are properly completed, reviewed and approved.

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**DES agrees in part**

DES partially agreed. DES officials noted that both DES and DCEO have worked in good faith with the U.S. Department of Labor (USDOL) to assess TRA benefits paid out since October 1, 2003 and to ensure future TRA benefit payments are handled in accordance with USDOL's directions. Changes to State procedures have been made, and will continue to be made as may be necessary, based on the feedback and guidance from USDOL. The State and USDOL are collaborating on a comprehensive resolution to the issue and hope to implement it soon. However, DES cannot by itself ensure that training plans, agreements and waivers are properly prepared, completed and reviewed, prospectively, given that those items are now the responsibility of Illinois Department of Commerce and Economic Opportunity (DCEO).

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**Auditor Comment**

In an auditor's comment we stated DES officials' partial disagreement with the finding is due to the Federal government not yet promulgating rules to implement the Trade Act of 2002 and the difficulty in interpreting regulations. We recommended DES work with the USDOL to clarify the program compliance requirements to enable the agency to administer the program in accordance with USDOL expectations and program compliance requirements.

**INADEQUATE SUPPORTING DOCUMENTATION FOR PERFORMANCE REPORTS**

The Department of Employment Security (DES) was unable to provide documentation to support information reported in certain performance reports.

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**Documentation retained was not adequate to support information reported on quarterly reports**

DES prepares the ETA 9002 and VETS 200 performance reports to report services, activities, and outcomes of service for all job seekers and veterans to the US Department of Labor (USDOL). These required quarterly reports are used to assess the State's success in meeting its performance goals. The reports include data from the Illinois Skills Match (ISM) system and the Unemployment Services Wage Information System (WIS). DES uses a report writer to accumulate information from the

two systems into the required reports. The information is then submitted electronically through the USDOL's Employment and Training Administration's web-based reporting system. (Finding 05-86, page 240-241)

Per DES management, detailed, voluminous quarterly data extracts were created and archived from the system (DART) but are not easily compiled or accumulated to allow for the testing of key line items.

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**Audit scope limitation issued because auditors were unable to obtain information from DES**

Failure to provide supporting documentation for the performance reports inhibits the auditors' ability to perform an audit on the program in accordance with OMB Circular A-133 in that it inhibits the auditor's ability to select a sample of data reported to validate the accuracy. Since DES was unable to provide the detail information for testing, the auditors issued an audit scope limitation on the Employment Services Cluster programs.

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**DES accepted the finding and recommendation**

We recommended DES implement procedures to ensure supporting documentation of the key line items can be provided from the DART system for the ETA 9002 and VETS 200 performance reports.

DES officials agreed that USDOL audit requirements dictate testing of the reports and thus will work with the auditors to create a methodology for testing key line items.

## **FAILURE TO FOLLOW PROPERTY MANAGEMENT REGULATIONS**

The IL State Police (ISP) did not follow the property management regulations prescribed in the Illinois Administrative Code.

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**Homeland Security program equipment records not updated timely**

During fiscal year 2005, the State Police were not updating equipment records on a timely basis. Specifically, we noted equipment records were not updated for some purchases, disposals, and transfers until at least six months after the underlying transaction (transfer) occurred. As a result, the State Police were not able to provide a complete listing of equipment acquired with federal funds. Program expenditures (which were primarily comprised of equipment purchases) made by the State Police during the year ended June 30, 2005 totaled \$6,025,000. (Finding 05-101, page 269-270)

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**Auditor qualification due to incomplete property records**

As a result of ISP's failure to maintain complete property records, the auditor's qualified their opinion on the Homeland Security Cluster.

We recommended ISP review its process for updating its property records to ensure equipment purchased with federal funds is properly reflected and performed timely.

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**ISP accepted auditor recommendation**

ISP officials agreed with the finding and recommendation and stated that they will review procedures for tagging and entering inventory records for the Homeland Security Cluster.

**ISSUES INVOLVING MULTIPLE STATE AGENCIES**

**UNALLOWABLE EXPENDITURES USED TO MEET REQUIREMENTS OF THE TANF AND LIHEAP PROGRAMS**

The Departments of Human Services (DHS), Public Aid (DPA), and Commerce and Economic Opportunity (DCEO) claimed State funded Low-Income Home Energy Assistance Program (LIHEAP) expenditures to meet the maintenance of effort (MOE) requirement of the Temporary Assistance for Needy Families (TANF) program and to obtain leveraging incentive awards under the LIHEAP program.

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**DPA and DCEO reported expenditures to DHS for TANF program; but then obtained LIHEAP incentive for same expenditures**

DHS is the state agency responsible for administering the TANF program, which includes maintaining a level of "qualified" state funded expenditures for programs and services benefiting eligible families (TANF MOE requirement). DHS attempts to maximize the TANF reimbursement by coordinating the inclusion of expenditures of other state agencies such as the Department of Commerce and Economic Opportunity (DCEO) and the Department of Public Aid (DPA). DCEO and DPA have agreed to allow DHS to use expenditures from their state-funded human service programs to meet the TANF MOE requirement. In addition, both DCEO (until July 1, 2004) and DPA apply for leveraging incentive awards available when non-federal resources are used in the LIHEAP program. As a condition of receiving the leveraging incentive awards, DCEO and DPA submitted an annual report describing the non-federal resources used to provide these benefits. We noted the State LIHEAP expenditures reported by DCEO and DPA on the

annual LIHEAP Leveraging reports were also used by DHS to meet TANF MOE requirements. (DHS Finding 05-17, pages 76-78; DPA Finding 05-32, pages 113-114; and DCEO Finding 05-83, pages 229-231)

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**Auditor qualification due to dual claims using the same expenditures**

As a result of DHS claiming the expenditures for TANF MOE purposes and DPA and DCEO reporting the same expenditures for the LIHEAP leverage incentive awards, the auditors qualified their report on the TANF and LIHEAP programs.

We recommended DHS review the process and procedures to identify expenditures used to satisfy the TANF MOE requirement and implement changes necessary to ensure those same expenditures are not used for any other purpose. Further, DCEO and DPA should review their process and procedures in place to identify expenditures to be used to meet requirements of federal programs and implement changes necessary to ensure the same expenditures are not used under multiple programs.

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**All agencies accepted the auditor recommendation**

DHS, DPA and DCEO officials state they agreed with our recommendation.

**INADEQUATE MONITORING OF SUBRECIPIENT OMB CIRCULAR A-133 AUDIT REPORTS**

We noted weaknesses in reviews of subrecipient audit reports for the following agencies:

<b>Agency</b>	<b>Program</b>	<b>Finding</b>
Public Aid (DPA)	Child Support Enforcement Low Income Energy Assistance Medicaid Cluster	05-33 pages 115-117
Children & Family Services (DCFS)	TANF Foster Care Title IV-E Adoption Assistance Social Services Block Grant	05-47 pages 144-146
Public Health (DPA)	Centers for Disease Control & Prevention Investigations and Technical Assistance (Bioterrorism) HIV Care Formula Grants	05-56 pages 164-165
Transportation (DOT)	Airport Improvement Highway Planning and Const.	05-77 pages 213-214
Emergency Management (EMA)	Homeland Security Cluster	05-97 pages 264-265

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**Multiple subrecipient monitoring deficiencies were noted**

Pass through entities are required to monitor their subrecipients expending more than \$500,000 in federal awards during their fiscal year to include the submission of OMB Circular A-133 reports upon completion of an audit. Program staff for each of the agencies are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to their records; and (3) Type A programs are being audited at least every three years. Additionally, program staff is responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, and adverse) and issuing management decisions on findings reported within required timeframes. **This finding was first reported for DCFS and DOT in the 2000 and 2002 Statewide Single Audits, respectively.**

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**Auditor qualification pertaining to subrecipient monitoring**

As a result of the agencies failure to adequately monitor subrecipients, the auditors qualified their report for the 12 federal programs listed in the above table.

We recommended all five agencies establish procedures to ensure all subrecipients receiving federal awards have audits performed in accordance with OMB Circular A-133. In addition, we made other specific recommendations for each of the five agencies.

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**All agencies accept auditor recommendation**

DPA, DCFS, DPH, DOT, and EMA officials accepted our findings and recommendations. (For previous DCFS and DOT responses, see Digest footnote #5 and #8, respectively).

## INADEQUATE ON-SITE MONITORING OF SUBRECIPIENTS

We noted weaknesses in on-site monitoring of subrecipients for the following agencies:

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**Lack of on-site monitoring of subrecipients**

Agency	Program	Finding
Aging (DOA)	Aging Cluster	05-52 pages 155-156
Public Health (DPA)	Centers for Disease Control & Prevention Investigations and Technical Assistance (Bioterrorism) HIV Care Formula Grants	05-55 pages 162-163
Transportation (DOT)	Airport Improvement	05-76 pages 211-212
Emergency Management (EMA)	Homeland Security Cluster	05-967 pages 261-263

These agencies pass-through federal funding to subrecipients for the purpose(s) established by federal regulations. As pass-through entities, these agencies monitor subrecipients primarily by reviewing grant applications, receiving periodic financial and programmatic reports, reviewing invoices, establishing policies and procedures, providing training and guidance, performing informal evaluations (on-site reviews) and receiving OMB Circular A-133 audit reports.

According to federal regulations, a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws and regulations. Also, effective internal controls should include ensuring documentation of on-site review procedures adequately supports procedures performed and the results obtained. **This finding for DOA was first reported in the Statewide Single Audit in 2003.**

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**Auditor qualification pertaining to subrecipient monitoring**

As a result of these agencies' failure to adequately monitor subrecipients, the auditors qualified their report for 5 programs listed in the above table.

We recommended the agencies: (1) develop formal policies and procedures, (2) perform periodic on-site



reviews which include reviewing financial and programmatic records, observation of operations, and/or processes, and (3) evaluate current monitoring staffing to ensure adequacy to complete monitoring within prescribed timeframes to ensure subrecipients are administering the federal programs in accordance with the applicable laws and regulations.

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**DOA and DPH accepts finding;  
however, DOT and EMA disagree**

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DOA and DPH accepted the findings and recommendations; whereas, DOT and EMA disagreed with the findings.

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**DOT Response**

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DOT officials stated that the Federal Aviation Administration (FAA) accepts the Department's method and procedure of collecting subrecipient certifications before federal funds are disbursed.

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**Auditor Comment - DOT**

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In an auditor's comment we stated OMB Circular A-133 requires that monitoring activities normally occur throughout the year and may take various forms, such as reporting, site visits, and regular contact. We believe that periodic on-site reviews are necessary to adequately monitor subrecipients of the Airport Improvement program. Further, DOT could not provide documentation the FAA has accepted their methods for monitoring subrecipients or concluded they are adequate.

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**EMA Response**

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EMA officials stated that subrecipients receiving property must follow guidance that physical inventory is to be conducted at least once every two years. These annual property inventories are to be submitted annually to EMA along with a site inspection of property items over \$5,000. Fiscal and administrative monitoring is an audit function that EMA need not apply since subrecipients must also have an audit to comply with Single Audit requirements under OMB Circular A-133.

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**Auditor Comment - EMA**

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In an auditor's comment we stated that OMB Compliance Supplement, dated May 2005, requires "Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from the State." As the majority of subrecipients of Homeland Security subrecipients are local governments, we believe they are required to follow the State's property regulations and, as such, EMA should implement additional procedures in this area.

Additionally, although we agree that guidance and templates have been provided to subrecipients who provide funding to other subrecipients, our finding pertains to the fact that EMA does not perform procedures to ensure their subrecipients have implemented appropriate monitoring procedures for those organizations to whom they pass-through funding.

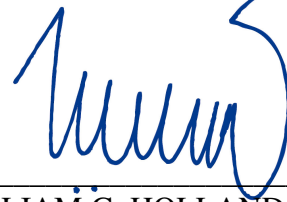
EMA has indicated that the performance of on-site procedures fiscal and administrative would be a duplication of the effort performed by external auditors of its subrecipients; however, due to the nature of the major program selection criteria required by the single audit, the Homeland Security Cluster may or may not be audited as part of the subrecipient's single audit. As a result, specific policies and procedures pertaining to Homeland Security may not be subject to the external auditors' procedures. (For previous DOA response, see Digest footnotes #6.)

#### **OTHER FINDINGS**

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2006.

#### **AUDITORS' OPINION**

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2005 is presented fairly in all material respects.



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WILLIAM G. HOLLAND, Auditor General

WGH:SES:pp

#### **SPECIAL ASSISTANT AUDITORS**

KPMG LLP was our special assistant auditor for this audit.

## DIGEST FOOTNOTES

Previous responses by the Department of Human Services

### **#1 Failure to Perform Eligibility Re-determinations within Prescribed Timeframes**

2004: Recommendation accepted. The Department reviewed the process for performing eligibility determinations and concluded to make changes that would ensure improvement from current rate of 90%.

### **#2 Failure to Follow and Document TANF Sanction Procedures**

2004: Recommendation not accepted. The Department does not agree with the finding since the amnesty period was the result of the Department of Public Aid re-engineering client information gathering process.

### **#3 Unallowable Costs Charged to the TANF Program**

2004: Recommendation not accepted. The Department's position is that the Regional Safe Schools program meets TANF and A-87 requirements and will continue to work with ACF until the issue is resolved.

Previous responses by Department of Children and Family Services

### **#4 Failure To Ensure That Foster Care Permanency Hearings Are Performed Within Required Timeframes**

2004: Recommendation accepted. The Department has developed and implemented a procedure for identifying and notifying foster and adoptive caretakers or hearings and reviews for permanency hearings.

### **#5 Inadequate and Untimely Monitoring of Subrecipients**

2004: Recommendation accepted. The Department has developed and implemented a procedure to track the receipt of reports and follow-up on all audits not received within 180 days of year-end. An additional five staff was added. Departmental auditors meet with Departmental programmatic monitors to learn about potential problems prior to the beginning of the audit. This process aids in determining overall risk and aid in the use of staff resources.

Previous responses by Department on Aging

### **#6 Inadequate Monitoring of Subrecipients**

2004: Recommendation accepted. The Department is to obtain guidance from other states Units on Aging to determine how often they do on-site reviews. Based on this information, the Department will update the Policies and Procedures manual for use in subrecipient on-site reviews.

Previous responses by the Illinois Student Assistance Commission

### **#7 Processing and Submission of Re-insurance Claims**

2004: ISAC has appealed the finding identified by USDE-OIG and are actively engaged in discussions within the guaranty agency community concerning the interpretation of regulations related to the processing and submission of re-insurance claim.

Previous responses by the Department of Transportation

### **#8 Inadequate Monitoring of Subrecipients OMB Circular A-133 Reports**

2004: Recommendation accepted. The Department sent out letters to subrecipients requesting the submission of their OMB Circular A-133 reports. A new database and procedures has been implemented to monitor and track single audit reports. Additional audit staff is being retrained to perform these tasks.

