



STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2014

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

Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Comprehensive Annual Financial Report of the State of Illinois for the year ended June 30, 2014 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2014 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and OMB Circular A-133.

Auditors' Reports

The auditors' report on compliance and on internal control applicable to each major program contains qualifications for the following programs:

Qualified (Noncompliance):

- Highway Planning and Construction Cluster
- State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges
- Temporary Assistance for Needy Families Cluster
- Children's Health Insurance Program
- Medicaid Cluster

Summary of Audit Findings

	<u>This audit</u>	<u>Prior audit</u>
Number of audit findings:		
This audit	69	74
Repeated audit findings	47	59
Prior findings implemented or not repeated	27	32



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**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,
*Audits of States, Local Governments, and Non-Profit Organizations***

Honorable William G. Holland
Auditor General
State of Illinois

Report on Schedule of Expenditures of Federal Awards

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Also as described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program Audit Guide*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

Chicago, Illinois
March 12, 2015

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 208	\$ 114
Voluntary Public Access and Habitat Incentive Program	10.093	153	73
Market News	10.153	4	-
Federal-State Marketing Improvement Program	10.156	26	26
Market Protection and Promotion	10.163	11	-
Specialty Crop Block Grant Program - Farm Bill	10.170	676	632
Organic Certification Cost Share Programs	10.171	1	-
Organic Agriculture Research and Extension Initiative	10.307	190	-
Rural Community Development Initiative	10.446	51	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	7,082	-
Cooperative Extension Service	10.500	5	-
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	* \$ 3,216,547	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	* 111,352	4,757
Total SNAP Cluster			3,327,899
Child Nutrition Cluster:			
School Breakfast Program	10.553	* 132,916	132,297
National School Lunch Program	10.555	* 511,760	510,416
Special Milk Program for Children	10.556	* 2,286	2,286
Summer Food Service Program for Children	10.559	* 11,565	11,255
Total Child Nutrition Cluster			658,527
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	* 201,331	197,736
Child and Adult Care Food Program	10.558	* 136,077	134,571
State Administrative Expenses for Child Nutrition	10.560	5,484	-
Commodity Supplemental Food Program	10.565	5,905	5,905
Emergency Food Assistance Cluster:			
Emergency Food Assistance Program (Administrative Costs)	10.568	2,937	2,607
Emergency Food Assistance Program (Food Commodities)	10.569	19,023	19,023
Total Emergency Food Assistance Cluster			21,960
WIC Farmers' Market Nutrition Program (FMNP)	10.572	400	122
Team Nutrition Grants	10.574	9	5
Senior Farmers Market Nutrition Program	10.576	778	-
ARRA - WIC Grants To States	10.578	1,972	-
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	257	-
Fresh Fruit and Vegetable Program	10.582	3,992	3,988
Cooperative Forestry Assistance	10.664	799	442
Schools and Roads Cluster:			
Schools and Roads Grants to States	10.665	263	263
Total Schools and Roads Cluster			263
Urban and Community Forestry Program	10.675	421	235
Forest Legacy Program	10.676	38	-
Forest Stewardship Program	10.678	382	-
Forest Health Protection	10.680	101	101
Soil and Water Conservation	10.902	734	-
Wildlife Habitat Incentive Program	10.914	4	-
U.S. Department of Agriculture Total		\$ 4,375,740	\$ 1,026,854
U.S. Department of Commerce			
Interjurisdictional Fisheries Act of 1986	11.407	8	8
Coastal Zone Management Administration Awards	11.419	826	89
State and Local Implementation Grant Program	11.549	145	125
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	8,349	2,304
U.S. Department of Commerce Total		\$ 9,328	\$ 2,526
U.S. Department of Defense			
Procurement Technical Assistance For Business Firms	12.002	653	394
Payments to States in Lieu of Real Estate Taxes	12.112	238	225
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	865	-
Military Construction, National Guard	12.400	20,053	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	16,516	-
National Guard Challenge Program	12.404	6,158	-
Troops-to-Teachers/Spouses-to-Teachers	12.XXX	166	-
U.S. Department of Defense Total		\$ 44,649	\$ 619

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Housing and Urban Development			
CDBG - State-Administered Small Cities Program Cluster:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	* \$ 89,756	\$ 82,547
Total CDBG - State-Administered Small Cities Program Cluster		\$ 89,756	
Emergency Solutions Grant Program	14.231	5,233	4,882
Supportive Housing Program	14.235	114	-
Housing Opportunities for Persons with AIDS	14.241	645	644
Fair Housing Assistance Program - State and Local	14.401	1,072	-
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	339	-
Total Housing Voucher Cluster		339	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	212	-
U.S. Department of Housing and Urban Development Total		\$ 97,371	\$ 88,073
U.S. Department of Interior			
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining			
Abandoned Mine Land Reclamation (AMLR) Program	15.252	12,316	-
Fish & Wildlife Cluster:			
Sport Fish Restoration Program	15.605	8,233	2,947
Wildlife Restoration and Basic Hunter Education	15.611	7,223	2,383
Total Fish & Wildlife Cluster		15,456	
Fish and Wildlife Management Assistance	15.608	170	14
Coastal Wetlands Planning, Protection and Restoration Act	15.614	176	126
Cooperative Endangered Species Conservation Fund	15.615	40	40
Sortfishing and Boating Safety Act	15.622	1,274	1,274
Enhanced Hunter Education and Safety Program	15.626	232	-
State Wildlife Grants	15.634	1,095	845
Service Training and Technical Assistance	15.649	2	-
Endangered Species Conservation Recovery Implementation Funds	15.657	35	13
Natural Resource Damage Assessment, Restoration and Implementation	15.658	12	6
Great Lakes Restoration	15.662	4,850	2,259
Historic Preservation Fund Grants-In-Aid	15.904	1,098	144
Outdoor Recreation-Acquisition, Development and Planning	15.916	641	641
U.S. Department of Interior Total		\$ 40,735	\$ 10,692
U.S. Department of Justice			
Sexual Assault Services Formula Program	16.017	355	355
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	(111)	-
Juvenile Accountability Block Grants	16.523	1,320	1,161
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	442	399
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	1,614	1,180
Missing Children's Assistance	16.543	424	-
Title V - Delinquency Prevention Program	16.548	292	-
State Justice Statistics Program for Statistical Analysis Centers	16.550	80	-
National Criminal History Improvement Program (NCHIP)	16.554	111	-
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560	158	-
Crime Victim Assistance	16.575	15,643	15,003
Crime Victim Compensation	16.576	4,048	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	16	-
Violence Against Women Formula Grants	16.588	5,281	4,352
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	404	268
Residential Substance Abuse Treatment for State Prisoners	16.593	290	14
State Criminal Alien Assistance Program	16.606	5,656	-
Community Prosecution and Project Safe Neighborhoods	16.609	330	81
Public Safety Partnership and Community Policing Grants	16.710	153	-
Enforcing Underage Drinking Laws Program	16.727	23	-
Justice Assistance Grant Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	8,908	6,382
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grant to State and Territories	16.803	4,834	4,536
Total Justice Assistance Grant Program Cluster		13,742	
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	226	-
DNA Backlog Reduction Program	16.741	3,139	33
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	309	-
Edward Byrne Memorial Competitive Grant Program	16.751	275	130

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Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Justice (continued)			
Harold Rogers Prescription Drug Monitoring Program	16.754	\$ 394	\$ -
Recovery Act - Internet Crimes against Children Task Form Program (ICAC)	16.800	379	-
Second Chance Act Reentry Initiative	16.812	395	308
NICS Act Record Improvement Program	16.813	140	-
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	221	186
Equitable Sharing Program	16.922	1,402	-
U.S. Department of Justice Total		\$ 57,151	\$ 34,388
U.S. Department of Labor			
Labor Force Statistics	17.002	2,251	-
Compensation and Working Conditions	17.005	130	-
Employment Services Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	\$ 32,157	674
Disabled Veterans' Outreach Program (DVOP)	17.801	3,829	-
Local Veterans' Employment Representative Program	17.804	1,760	-
Total Employment Services Cluster		37,746	
Unemployment Insurance	17.225	* 2,935,876	-
Senior Community Service Employment Program	17.235	3,172	3,018
Trade Adjustment Assistance	17.245	7,470	6,047
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	* 31,224	27,638
WIA Youth Activities	17.259	* 33,318	29,457
WIA Dislocated Worker Formula Grants	17.278	* 47,319	38,309
Total Workforce Investment Act Cluster		111,861	
WIA Dislocated Worker Formula Grants	17.260	1,693	1,676
WIA Pilots, Demonstrations and Research Projects	17.261	229	66
Youth Opportunity Grants	17.263	(5)	-
Work Opportunity Tax Credit Program (WOTC)	17.271	578	-
Temporary Labor Certification for Foreign Workers	17.273	327	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	853	810
Workforce Investment Act (WIA) National Emergency Grants	17.277	2,763	2,587
Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280	470	-
Workforce Innovation Fund	17.283	3,374	2,657
Occupational Safety and Health - State Program	17.503	1,051	-
Consultation Agreements	17.504	1,724	-
Mine Health and Safety Grants	17.600	88	-
U.S. Department of Labor Total		\$ 3,111,651	\$ 112,939
U.S. Department of Transportation			
Airport Improvement Program	20.106	* 58,711	32,807
Highway Research and Development Program	20.200	45	7
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	* 1,434,400	163,533
ARRA - Highway Planning and Construction	20.205	* 11,241	2,935
Recreational Trails Program	20.219	* 2,937	-
Total Highway Planning and Construction Cluster		1,448,578	
National Motor Carrier Safety	20.218	4,919	-
Performance and Registration Information Systems Management	20.231	2	-
Commercial Driver's License Program Improvement Grant	20.232	104	-
Commercial Vehicle Information Systems and Networks	20.237	1,541	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317	1,603	-
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 2,863	-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 147,308	-
Rail Line Relocation and Improvement	20.320	727	43
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	337	337
Total Federal Transit Cluster		337	
Metropolitan Transportation Planning and Stat and Non-Metropolitan Planning and Research	20.505	4,722	4,643
Formula Grants for Rural Areas	20.509	13,950	12,258
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	494	448
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	3,937	-
Job Access and Reverse Commute Programs	20.516	1,225	1,225
New Freedom Program	20.521	743	628
Total Transit Services Programs Cluster		5,905	

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Transportation (continued)			
Public Transportation Research	20.514	\$ 35	\$ -
Highway Safety Cluster:			
State and Community Highway Safety	20.600	\$ 9,109	6,133
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	44	44
Occupant Protection Incentive Grants	20.602	99	99
State Traffic Safety Information System Improvements Grants	20.610	299	37
Incentive Grant Program to Prohibit Racial Profiling	20.611	110	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	37	-
Total Highway Safety Cluster		9,698	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	95	-
National Priority Safety Programs	20.616	5,378	2,577
Pipeline Safety Program State Base Grant	20.700	1,846	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	822	650
PHMSA Pipeline Safety Program One Call Grant	20.721	45	-
ARRA - Surface Transportation - Discretionary Grants for Capital Investment	20.932	16,315	302
National Infrastructure Investments	20.933	11,022	1,179
U.S. Department of Transportation Total		\$ 1,737,065	\$ 229,885
U.S. Department of the Treasury			
Mortgage Foreclosure Mitigation Assistance	21.000	12	-
Federal Asset Forfeiture	21.XXX	72	-
U.S. Department of the Treasury Total		\$ 84	\$ -
Equal Employment Opportunity Commission			
Equal Discrimination State and Local Fair Employment 30.EECN110078	30.XXX	1,990	-
Equal Employment Opportunity Commission Total		\$ 1,990	\$ -
General Services Administration			
Election Reform Payments	39.011	105	-
General Services Administration Total		\$ 105	\$ -
National Endowment for the Arts			
Promotion of the Arts - Partnership Agreements	45.025	769	705
Grants to States	45.310	6,629	4,741
Laura Bush 21st Century Librarian Program	45.313	105	50
National Endowment for the Arts Total		\$ 7,503	\$ 5,496
U.S. Small Business Administration			
Statewide Broadband Infrastructure and Connectivity	59.000	589	-
Small Business Development Center	59.037	3,865	2,439
State Trade and Export Promotion Pilot Grant Program	59.061	596	-
U.S. Small Business Administration Total		\$ 5,050	\$ 2,439
U.S. Department of Veterans Affairs			
Grants to States for Construction of State Home Facilities	64.005	10,304	-
Veterans State Domiciliary Care	64.014	391	-
Veterans State Nursing Home Care	64.015	34,982	-
All-Volunteer Force Educational Assistance	64.124	1,173	-
U.S. Department of Veterans Affairs Total		\$ 46,850	\$ -
U.S. Environmental Protection Agency			
State Indoor Radon Grants	66.032	375	322
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	276	-
State Clean Diesel Grant Program	66.040	80	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	331	272
State Underground Water Source Protection	66.433	248	-
Water Quality Management Planning	66.454	465	398
Capitalization Grants for Clean Water State Revolving Funds	66.458	90,896	90,591
Nonpoint Source Implementation Grants	66.460	11,261	5,778
Capitalization Grants for Drinking Water State Revolving Funds	66.468	60,414	58,229
Great Lakes Program	66.469	1,849	49
Beach Monitoring and Notification Program Implementation Grants	66.472	132	122
Performance Partnership Grants	66.605	17,563	965
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	4	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	120	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	441	-

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Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Environmental Protection Agency (continued)			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	\$ 2,910	\$ -
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	488	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	2,309	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	157	-
State and Tribal Response Program Grants	66.817	1,120	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	901	746
Environmental Education Grants	66.951	12	-
U.S. Environmental Protection Agency Total		\$ 192,352	\$ 157,472
U.S. Department of Energy			
State Energy Program	81.041	1,672	(1,364)
ARRA - State Energy Program	81.041	(2,341)	-
Weatherization Assistance for Low-Income Persons	81.042	8,056	6,985
ARRA - Weatherization Assistance for Low-Income Persons	81.042	1,257	1,047
ARRA - Renewable Energy Research and Development	81.087	565	-
State Energy Program Special Projects	81.119	214	214
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	165	165
U.S. Department of Energy Total		\$ 9,588	\$ 7,047
U.S. Department of Education			
Adult Education - Basic Grants to States	84.002	19,039	17,877
Title I Grants to Local Educational Agencies	84.010 *	728,931	723,442
Migrant Education - State Grant Program	84.011	2,098	2,082
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	704	-
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027 *	\$ 509,930	496,195
Special Education - Preschool Grants	84.173 *	16,823	16,576
Total Special Education Cluster		526,753	
Student Financial Assistance Programs:			
Federal Family Education Loan Program	84.032G *	199,979	-
Total Student Financial Assistance Programs		199,979	
Career and Technical Education - Basic Grants to States	84.048	40,431	23,184
Vocational Rehabilitation Cluster:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126 *	124,506	25,360
Total Vocational Rehabilitation Cluster		124,506	
Rehabilitation Services - Service Projects	84.128	178	177
Migrant Education - Coordination Program	84.144	79	52
Rehabilitation Services - Client Assistance Program	84.161	131	-
Independent Living State Grants Cluster:			
Independent Living - State Grants	84.169	678	678
Total Independent Living State Grants Cluster		678	
Independent Living Services for Older Individuals Who are Blind Cluster:			
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177	1,317	1,231
Total Independent Living Services for Older Individuals Who are Blind Cluster		1,317	
Early Intervention Services (IDEA) Cluster:			
Special Education - Grants for Infants and Families	84.181	16,246	9,038
Total Early Intervention Services (IDEA) Cluster		16,246	
Safe and Drug-Free Schools and Communities National Programs	84.184	1	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	(1)	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	924	924
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	2,642	2,544
Total Education of Homeless Children and Youth Cluster		2,642	
Assistive Technology	84.224	512	512
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	142	-
Twenty-First Century Community Learning Centers	84.287 *	51,680	50,444
State Grants for Innovative Programs	84.298	(14)	-
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	(1)	-
Education Technology State Grants, Recovery Act	84.386	64	-
Total Educational Technology State Grants Cluster		63	
Special Education - State Personnel Development	84.323	2,087	1,854
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	288	100
Advanced Placement Program	84.330	2,192	2,192
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,750	33

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
<u>U.S. Department of Education (continued)</u>			
Reading First State Grants	84.357	\$ (4)	\$ -
Rural Education	84.358	1,245	1,199
English Language Acquisition State Grants	84.365	29,605	28,725
Mathematics and Science Partnerships	84.366	3,816	3,623
Improving Teacher Quality State Grants	84.367 *	114,727	111,619
Grants for Enhanced Assessment Instruments	84.368	472	-
Grants for State Assessments and Related Activities	84.369	10,777	-
Statewide Data Systems Cluster:			
Statewide Longitudinal Data Systems	84.372	\$ 2,495	-
Statewide Longitudinal Data Systems, Recovery Act	84.372	1,894	-
Total Statewide Data Systems Cluster		4,389	
School Improvement Grants Cluster:			
School Improvement Grants	84.377 *	17,299	16,711
School Improvement Grants, Recovery Act	84.388 *	36,251	35,695
Total School Improvement Grants Cluster		53,550	
College Access Challenge Grant Program	84.378	5,955	-
Title I Grants to Local Educational Agencies, Recovery Act	84.389	(17)	-
Race-to-the-Top Incentive Grants, Recovery Act	84.395	(101)	-
Race to the Top - Early Learning Challenge	84.412	5,210	199
Race to the Top	84.413	9,826	6,456
U.S. Department of Education Total		\$ 1,962,786	\$ 1,578,722
<u>National Archives and Records Administration</u>			
National Historical Publications and Records Grants	89.003	29	18
National Archives and Records Administration Total		\$ 29	\$ 18
<u>Election Assistance Commission</u>			
Help America Vote Act Requirements Payments	90.401	2,748	1,883
Election Assistance Commission Total		\$ 2,748	\$ 1,883
<u>U.S. Department of Health and Human Services</u>			
Special Programs for the Aging - Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	176	176
Special Programs for the Aging - Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	574	574
Special Programs for the Aging - Title III, Part D-Disease Prevention and Health Promotion Services	93.043	763	763
Aging Cluster:			
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	15,319	15,319
Special Programs for the Aging - Title III, Part C-Nutrition Services	93.045	21,241	19,481
Nutrition Services Incentive Program	93.053	4,786	4,786
Total Aging Cluster		41,346	
Alzheimer's Disease Demonstration Grants to States	93.051	29	29
National Family Caregiver Support, Title III, Part E	93.052	4,355	4,355
Public Health Emergency Preparedness	93.069	2,423	1,584
Environmental Public Health Emergency Response	93.070	377	80
Medicare Enrollment Assistance Program	93.071	272	272
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	25,022	16,756
Systems Inoperability - Health and Human Services	93.075	786	-
Cooperative Agreements to Promote Adolescent Health through School-Based Based HIV/STD Prevention and School-Based Surveillance	93.079	50	-
Guardianship Assistance	93.090	10,484	-
ARRA - Guardianship Assistance	93.090	3	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	2,811	2,587
Well-Integrated Screening and Evaluation for Woman Across the Nation	93.094	415	158
Food and Drug Administration - Research	93.103	787	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	2,997	2,963
Maternal and Child Health Federal Consolidated Programs	93.110	271	137
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,468	355
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	319	72
Injury Prevention and Control Research and State and Community Based Programs	93.136	1,072	995
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,813	2,813
Grants to States for Loan Repayment Program	93.165	283	-
Disabilities Prevention	93.184	231	36

STATE OF ILLINOIS
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For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Health and Human Services (continued)			
Family Planning-Services	93.217	\$ 6,531	\$ 5,129
State Capacity Building	93.240	473	-
State Rural Hospital Flexibility Program	93.241	680	679
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	6,521	5,546
Immunization Cooperative Agreements	93.268	* 94,733	1,138
Adult Viral Hepatitis Prevention and Control	93.270	197	-
Substance Abuse and Mental Health Services - Access to Recovery	93.275	3,450	126
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	9,877	4,975
National Public Health Improvement Initiative	93.292	222	-
State Partnership Grant Program to Improve Minority Health	93.296	29	29
Small Rural Hospital Improvement Grant Program	93.301	506	506
State Health Insurance Program	93.324	961	368
ARRA - State Primary Care Offices	93.414	53	10
Food Safety and Security Monitoring Project	93.448	102	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505	8,455	7,736
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	443	-
PPHF National Public Health Improvement Initiative	93.507	255	20
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	355	-
Affordable Care Act (ACA) Aging and Disability Resource Center	93.517	58	58
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	484	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	93.520	76	76
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	1,881	678
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	* 46,491	16,308
PHHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	6,296	5,361
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	74	-
The Patient Protection and ACA authorizes Coordinated Chronic Disease Prevention & Health Promotion Program	93.544	41	-
Promoting Safe and Stable Families	93.556	29,303	7,771
Temporary Assistance for Needy Families Cluster: Temporary Assistance for Needy Families	93.558	* \$ 583,942	148,753
Total Temporary Assistance for Needy Families Cluster		583,942	
Child Support Enforcement	93.563	* 133,382	17,399
Refugee and Entrant Assistance - State Administered Programs	93.566	8,771	4,317
Low-Income Home Energy Assistance	93.568	* 207,915	203,685
Community Services Block Grants Cluster: Community Services Block Grant	93.569	28,950	27,301
Total Community Services Block Grants Cluster		28,950	
Child Care Development Funds Cluster: Child Care and Development Block Grant	93.575	* 78,384	78,384
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	* 127,111	118,924
Total Child Care Development Funds Cluster		205,495	
Refugee and Entrant Assistance - Discretionary Grants	93.576	939	931
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	1,052	1,052
State Court Improvement Program	93.586	901	519
Community-Based Child Abuse Prevention Grants	93.590	1,393	1,221
Grants to States for Access and Visitation Programs	93.597	303	289
Chafee Education and Training Vouchers Program (ETV)	93.599	1,799	-
Head Start Cluster: Head Start	93.600	3,854	3,244
ARRA - Head Start	93.708	(25)	-
Total Head Start Cluster		3,829	
Mentoring Children of Prisoners	93.616	22	-
Voting Access for Individuals with Disabilities - Grants to States	93.617	56	54
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	1,857	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	2,142	860

STATE OF ILLINOIS
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Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Health and Human Services (continued)			
Children's Justice Grants to States	93.643	\$ 570	\$ 557
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,961	-
Child Welfare Research Training or Demonstration	93.648	2,528	2,325
Adoption Opportunities	93.652	495	444
Foster Care - Title IV-E Cluster:			
Foster Care - Title IV-E	93.658	* \$ 184,749	-
ARRA - Foster Care - Title IV-E	93.658	* (100)	-
Total Foster Care - Title IV-E Cluster		184,649	
Adoption Assistance Cluster:			
Adoption Assistance	93.659	* 78,024	-
ARRA - Adoption Assistance	93.659	* 2	-
Total Adoption Assistance Cluster:		78,026	
Social Services Block Grant	93.667	* 65,133	27,842
Child Abuse and Neglect State Grants	93.669	899	758
Child Abuse and Neglect Discretionary Activities	93.670	385	222
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	3,556	3,274
Chafee Foster Care Independence Program	93.674	5,629	-
ARRA - Immunization	93.712	(5)	-
ARRA - Child Care and Development Block Grant	93.713	14	-
ARRA - State Grants to Promote Health Information Technology	93.719	8,615	-
ARRA - Prevention and Wellness - State, Territories, and Pacific Islands	93.723	5	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund	93.733	309	309
State Public Health Approaches for Ensuring Qutline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735	792	792
PPHF: Breast and Cervical Screening Opportunities for States, Tribes and Territories solely financed by Prevention and Public Health Funds	93.744	142	142
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745	180	-
PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748	130	-
Children's Health Insurance Program	93.767	* 318,309	-
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	* 5,571	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	* 27,895	-
Medical Assistance Program	93.778	* 9,315,819	59,773
Total Medicaid Cluster		9,349,285	
Money Follows the Person Rebalancing Demonstration	93.791	4,143	-
National Bioterrorism Hospital Preparedness Program	93.889	201	106
Grants to States for Operation of Offices of Rural Health	93.913	169	-
HIV Care Formula Grants	93.917	36,937	7,389
Healthy Start Initiative	93.926	1,243	945
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	44	-
HIV Prevention Activities - Health Department Based	93.940	5,483	2,481
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	993	58
Assistance Programs for Chronic Disease Prevention and Control	93.945	541	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	128	-
Block Grants for Community Mental Health Services	93.958	17,276	16,707
Block Grants for Prevention and Treatment of Substance Abuse	93.959	* 65,475	61,457
National All Schedules Prescription Electronic Reporting Grant	93.975	5	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	2,256	171
Preventive Health and Health Services Block Grant	93.991	1,738	309
Maternal and Child Health Services Block Grant to the States	93.994	24,044	19,761
U.S. Department of Health and Human Services Total		\$ 11,686,705	\$ 943,560
Corporation for National and Community Service			
State Commissions	94.003	279	134
Learn and Serve America-School and Community Based Programs	94.004	2	-
AmeriCorps	94.006	6,988	6,851
ARRA - AmeriCorps	94.006	11	-
Program Development and Innovation Grants	94.007	22	22
Training and Technical Assistance	94.009	25	-
Corporation for National and Community Service Total		\$ 7,327	\$ 7,007

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)	
		Expenditures	Passed-through to subrecipients (Unaudited)
Social Security Administration			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001	* \$ 83,518	\$ -
Total Disability Insurance/SSI Cluster		\$ 83,518	
Social Security Work Incentives Planning and Assistance Program	96.008	160	160
Social Security Administration Total		\$ 83,678	\$ 160
U.S. Department of Homeland Security			
State and Local Homeland Security National Training Program	97.005	231	231
Non-Profit Security Program	97.008	1,549	1,549
Boating Safety Financial Assistance	97.012	1,450	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	340	-
Flood Mitigation Assistance	97.029	94	94
Crisis Counseling	97.032	75	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	16,771	15,338
Hazard Mitigation Grant	97.039	8,609	8,269
National Dam Safety Program	97.041	135	-
Emergency Management Performance Grants	97.042	10,500	3,919
Cooperating Technical Partners	97.045	5	5
Pre-Disaster Mitigation	97.047	179	179
Presidential Declared Disaster Assistance to Individuals and Households-Other Needs	97.050	17,550	-
Emergency Operations Centers	97.052	352	352
Interoperable Emergency Communications	97.055	40	40
Homeland Security Cluster:			
Homeland Security Grant Program	97.067	* 75,635	70,534
Total Homeland Security Cluster		75,635	
Earthquake Consortium	97.082	14	-
Driver's License Security Grant Program	97.089	4	-
Homeland Security Biowatch Program	97.091	1,945	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	5,446	5,446
U.S. Department of Homeland Security Total		\$ 140,924	\$ 105,956
Total expenditures of federal awards		\$ 23,621,409	\$ 4,315,736

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

*Denotes Major Program

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2014. The State's financial reporting entity is described in Note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2014. Each of these entities is subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The federal transactions of the following entities are not reflected in this Schedule:

University of Illinois	Governors State University
Illinois State University	Northeastern Illinois University
Northern Illinois University	Eastern Illinois University
Chicago State University	Illinois Finance Authority
Western Illinois University	Illinois Housing Development Authority
Southern Illinois University	

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission under the Federal Family Education Loan program, are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2014. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program Audit Guide*.

(b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule of expenditures of federal awards on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State.

(2) Description of Major Federal Award Programs

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

U.S. Department of Agriculture

SNAP Cluster: Supplemental Nutrition Assistance Program (CFDA No. 10.551) / State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA No. 10.561)

The objective of the Supplemental Nutrition Assistance Program (SNAP) Cluster is to improve the nutrition levels of low-income households by ensuring access to nutritious, healthful diets through the provision of nutrition education and nutrition assistance through the issuance of monthly benefits for the purchase of food at authorized retailers and to provide federal financial aid to State agencies for costs incurred to operate the program.

Child Nutrition Cluster: School Breakfast Program (CFDA No. 10.553) / National School Lunch Program (CFDA No. 10.555) / Special Milk Program for Children (CFDA No. 10.556) / Summer Food Service Program for Children (CFDA No. 10.559)

The objective of the Child Nutrition Cluster is to assist States: (1) in providing a nutritious nonprofit breakfast and lunch service for school children, through cash grants and food donations; (2) to encourage the domestic consumption of nutritious agricultural commodities; (3) to provide subsidies to schools and institutions to encourage to consumption of fluid milk by children; and (4) to provide free meals to eligible children during the summer months and at other approved times, when school is not in session.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557)

The objective of this program is to provide low-income pregnant, breastfeeding, and postpartum women, infants and children to age five who have been determined to be at nutritional risk with supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost. WIC also promotes breastfeeding as the feeding method of choice for infants, provides substance abuse education, and promotes immunization and other aspects of healthy living.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Child and Adult Care Food Program (CFDA No. 10.558)

The objective of this program is to assist States, through grants-in-aid and other means, to initiate and maintain nonprofit food service programs for children and elderly or impaired adults enrolled in nonresidential day care facilities, children attending afterschool care programs in low-income areas, and children residing in emergency shelters. This program provides aid to child and adult care institutions and day care homes for the provision of nutritious foods that contribute to the wellness, healthy growth, and development of young children, and the health and wellness of older adults and chronically impaired disabled persons.

U.S. Department of Housing and Urban Development

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228)

The objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income. Each activity funded must meet one of the program's National Objectives by: benefiting low- and moderate-income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious immediate threat to the health or welfare of the community where other financial resources are not available.

U.S. Department of Labor

Unemployment Insurance (CFDA No. 17.225)

The objective of this program is to oversee unemployment insurance programs for eligible workers through federal and state cooperation, including unemployment compensation for federal employees or ex-service members, disaster unemployment assistances, and to assist in the oversight of trade adjustment assistances and alternative trade adjustment assistance, and reemployment trade adjustment assistance programs.

Workforce Investment Act Cluster: Workforce Investment Act Adult Program (CFDA No. 17.258) / Workforce Investment Act Youth Activities (CFDA No. 17.259) / Workforce Investment Act Dislocated Worker Formula Grant (CFDA No. 17.278)

The objectives of these programs are: (1) to prepare workers, particularly disadvantaged, low-skilled, and underemployed adults, for good jobs by providing job search assistance and training; (2) to help low income youth acquire the educational and occupational skills, training, and support needed to achieve academic and employment success and successfully transition to careers and

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

productive adulthood; and (3) to help dislocated workers become reemployed through job search assistance and/or training that builds their occupational skills to meet labor market needs.

U.S. Department of Transportation

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

Highway Planning and Construction Cluster: Highway Planning and Construction (CFDA No. 20.205) / ARRA – Highway Planning and Construction (CFDA No. 20.205ARRA) / Recreational Trails Program (CFDA No. 20.219)

The objectives of these programs are to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and preserving the National Highway System (NHS), including the Eisenhower Interstate System; for transportation improvements to Federal-aid highways and other public roads; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. The programs also provide funds to the States to develop and maintain recreational trails and trail-related facilities for both nonmotorized and motorized recreational trail uses.

High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319) / ARRA – High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319ARRA)

The objective of this program is to assist in financing the capital costs of facilities, infrastructure, and equipment necessary to provide or improve high speed rail and intercity passenger rail service.

U.S. Environmental Protection Agency

Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)

The objective of this program is to create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long-term source of State financing for construction of waste water treatment facilities and implementation of other water quality management activities.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468)

The objective of this program is for states to capitalize their Drinking Water State Revolving Funds which will provide a long-term source of financing for the costs of drinking water infrastructure.

U.S. Department of Education

Title I, Part A Cluster: Title I Grants to Local Educational Agencies (CFDA No. 84.010)

The objective of this program is to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

Special Education Cluster: Special Education – Grants to States (CFDA No. 84.027) / Special Education – Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to states to assist them in providing special education and related services to all children with disabilities and provide a free appropriate public education to preschool disabled children aged three through five years.

Federal Family Education Loans – Guaranty Program (CFDA No. 84.032G)

The objective of this program is to encourage lenders to make loans to students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal Government.

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist States in operating comprehensive, coordinated, effective, efficient, and accountable programs of vocational rehabilitation; to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strength, resources, priorities, concerns, abilities, capabilities, and informed choice so they may prepare for and engage in competitive employment.

Twenty-First Century Community Learning Centers (CFDA No. 84.287)

The objective of this program is to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment for children, particularly students who attend high-poverty and low-performing schools.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Improving Teacher Quality State Grants (CFDA No. 84.367)

The objective of this program is to provide grants to State Educational Agencies (SEA), local educational agencies (LEA), State agencies for higher education (SAHEs) and, through SAHEs, to eligible partnerships of institutions of higher education (IHEs) and high-need local educational agencies (LEAs), in order to increase student academic achievement through such strategies as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

School Improvement Grants Cluster: School Improvement Grants (CFDA No. 84.377) / School Improvement Grants, Recovery Act (CFDA No. 84.388ARRA)

The objective of these programs is to support competitive subgrants to local educational agencies (LEAs) that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources to raise substantially the achievement of students in their lowest-performing schools.

U.S. Department of Health and Human Services

Immunization Grants (CFDA No. 93.268)

The objective of this programs is to assist states and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases.

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchange (CFDA No. 93.525)

The objective of this program is to provide assistance for activities related to establishing a Health Insurance Exchange that facilitates the purchase of qualified health plans, provides for the establishment of a Small Business Health Options Program (SHOP Exchange), and meets the requirements set forth by the Secretary of State and the Affordable Care Act.

Temporary Assistance for Needy Families (TANF) Cluster (CFDA No. 93.558)

The objective of this program is to provide grants to States, Territories, the District of Columbia, and Federally-recognized Indian Tribes operating their own tribal TANF Cluster programs to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Low-Income Home Energy Assistance Program (CFDA No. 93.568)

The objective of this program is to make Low Income Home Energy Assistance Program (LIHEAP) grants available to states to assist eligible households to meet the cost of home energy. This program also provides training and technical assistance to states and other jurisdictions administering the LIHEAP block grant program.

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)

The objective of these programs is to make grants to states for child care assistance for low-income families. The goals are to: (1) allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.

Foster Care - Title IV-E (CFDA No. 93.658 / 93.658ARRA)

The objective of this program is to help states provide safe and stable out-of-home care for children under the jurisdiction of the State until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.

Adoption Assistance (CFDA No. 93.659 / 93.659ARRA)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs who cannot be reunited with their families and who meet certain eligibility tests.

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each state to provide social services that best suit the individuals residing in that state. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) to prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

Children's Health Insurance Program (CFDA No. 93.767)

The objective of this program is to provide funds to states to enable them to maintain and expand child health assistance to uninsured, low-income children, and at a state option, low-income pregnant women and legal immigrants, primarily by three methods: (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; (2) expand eligibility for children under the State's Medicaid program; or (3) a combination of the two.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Health Care Providers and Suppliers (CFDA No. 93.777) / Medical Assistance Program (CFDA No. 93.778)

The objectives of these programs are: (1) to eliminate fraud and patient abuse in the State Medicaid programs; (2) provide financial assistance to any State which is able and willing to determine through its State health agency or other appropriate State agency that providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions participation; and (3) provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements and other categorically eligible groups.

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment, and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Social Security Administration

Social Security - Disability Insurance (CFDA No. 96.001)

The objective of this program is to replace part of the earnings lost because of physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

U.S. Department of Homeland Security

Homeland Security Cluster: Homeland Security Grant Program (CFDA No. 97.067)

The objective of this program is to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, mitigate, respond to, and recover from acts of terrorism and other catastrophic events.

(3) Non-monetary Assistance Inventory

The State reports the following non-cash federal awards on the Schedule of Expenditures of Federal Awards:

- National School Lunch Program (CFDA No. 10.555) – Federal expenditures for this program represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors. The commodities were valued based on USDA price lists.
- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.
- Emergency Food Assistance Program (CFDA No. 10.569) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists
- National Guard Military Operations and Maintenance (CFDA No. 12.401) - Federal expenditures for this program represent the value of telecommunication services provided to the Master Cooperative Agreement by the U.S. Department of Defense.
- National Guard Challenge Program (CFDA No. 12.404) - Federal expenditures for this program represent the value of telecommunication services provided to Lincoln's Challenge by the U.S. Department of Defense.
- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.
- Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.

- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items “in lieu of cash” received from U.S. Department of Health and Human Services.
- Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (CFDA No. 97.050) – Federal expenditures for this program are used to support disaster recovery to disaster survivors affected by a disaster or emergency declared by the President in order to repair or repurchase essential items needed to support adequate interim and long-term housing in addition to other necessary expenses and serious needs which cannot be met through other forms of disaster assistance or through other means such as insurance.

(4) Federal Loan Guarantees

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) under the Federal Family Education Loans Guaranty Program (CFDA No. 84.032G) was approximately \$4,746,438,315 and \$4,395,493,188 as of June 30, 2013 and June 30, 2014, respectively. Additionally, the outstanding balance of defaulted loans held by ISAC under this program was approximately \$663,487,269 and \$663,703,741 as of June 30, 2013 and June 30, 2014, respectively.

(5) CDBG Loans

The Department of Commerce and Economic Opportunity (DCEO) provided funding to local municipalities (subrecipients) under the CDBG – State-Administered Small Cities Cluster program (CFDA No. 14.228). DCEO is responsible for on-going monitoring of the revolving loan funds administered by its subrecipients and any remaining loan funds revert back to DCEO should the subrecipients cease participation in the revolving loan program. DCEO has determined loan balances of \$59,843,000 and \$56,860,000 were outstanding as of July 1, 2013, and June 30, 2014, respectively.

The DCEO also provided funding to the Clean Energy Trust (CET) under the American Recovery and Reinvestment Act (ARRA) State Energy Program (CFDA No. 81.041). DCEO is responsible for on-going monitoring of the revolving loan funds administered by CET. Any remaining loan funds revert back to DCEO should CET cease participation in the revolving loan program. DCEO has determined loan balances of \$1,000,000 were outstanding both as of July 1, 2013 and as of June 30, 2014.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and the related notes to the Schedule of the State of Illinois (the State) for the year ended June 30, 2014, and have issued our report thereon dated March 12, 2015.

As described in note 1 to the Schedule, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Also as described in note 1 to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not



be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in findings 2014-001, 2014-002, 2014-003, and 2014-018 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Responses to the Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
March 12, 2015



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Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Schedule and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program Audit Guide*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State’s compliance.

Basis for Qualified Opinions on Major Federal Programs

As identified in the finding numbers listed in the table below and described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2014-002
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-002
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2014-003
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-003
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2014-004
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-004
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, and Eligibility	2014-005
IL Department of Healthcare and Family Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-018
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2014-018
IL Department of Insurance	State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges	Reporting	2014-034



State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Insurance	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Allowable Costs/Cost Principles	2014-035
IL Department of Insurance	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Subrecipient Monitoring	2014-036
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles, and Davis-Bacon Act	2014-056
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles	2014-057

Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major federal programs.

Qualified Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions on Major Federal Programs paragraphs, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinions on Major Federal Programs paragraphs for the year ended June 30, 2014.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-006 through 2014-012, 2014-014 through 2014-017, 2014-019 through 2014-028, 2014-030 through 2014-033, 2014-037 through 2014-051, 2014-054, 2014-055, 2014-058 through 2014-062, and 2014-064 through 2014-069. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the



circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002 through 2014-014, 2014-018 through 2014-023, 2014-025 through 2014-029, 2014-031 through 2014-044, 2014-046, 2014-049 through 2014-052, 2014-054 through 2014-063, 2014-066, and 2014-069 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-015 through 2014-017, 2014-024, 2014-030, 2014-045, 2014-047, 2014-048, 2014-053, 2014-064, 2014-065, 2014-067, and 2014-068 to be significant deficiencies.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
March 12, 2015

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

(1) Summary of Auditors' Results

- (a) The type of report issued by the Auditor General, State of Illinois, on the basic financial statements: **Unmodified**
- (b)(1) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois: **None reported**
Material weaknesses: **Yes**
- (b)(2) Significant deficiencies in internal control were disclosed by the audit of the schedule of expenditures of federal awards: **None reported**
Material weaknesses: **Yes**
- (c)(1) Noncompliance which is material to the basic financial statements: **Yes**
- (c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**
- (d) Significant deficiencies in internal control over major programs: **Yes**
Material weaknesses: **Yes**
- (e) The type of report issued on compliance for major programs:
Qualified (Noncompliance):
Highway Planning and Construction Cluster
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

The opinions for all other major programs are unmodified.
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **Yes**
- (g) Major programs:
U.S. Department of Agriculture
 - 1. Supplemental Nutrition Assistance Program Cluster (10.551/10.561)
 - 2. Child Nutrition Cluster (10.553/10.555/10.556/10.559)
 - 3. Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
 - 4. Child and Adult Care Food Program (10.558)**U.S. Department of Housing and Urban Development**
 - 5. Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (14.228)**U.S. Department of Labor**
 - 6. Unemployment Insurance (17.225)
 - 7. Workforce Investment Act Cluster (17.258/17.259/17.278)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

U.S. Department of Transportation

8. Airport Improvement Program (20.106)
9. Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219)
10. High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319/20.319ARRA)

U.S. Environmental Protection Agency

11. Capitalization Grants for Clean Water State Revolving Funds (66.458)
12. Capitalization Grants for Drinking Water State Revolving Funds (66.468)

U.S. Department of Education

13. Title I, Part A Cluster (84.010)
14. Special Education Cluster (84.027/84.173)
15. Federal Family Education Loan Program (84.032G)
16. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
17. Twenty-First Century Community Learning Centers (84.287)
18. Improving Teacher Quality State Grants (84.367)
19. School Improvement Grants Cluster (84.377/84.388ARRA)

U.S. Department of Health and Human Services

20. Immunization Cooperative Agreements (93.268)
21. State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525)
22. Temporary Assistance for Needy Families Cluster (93.558)
23. Child Support Enforcement (93.563)
24. Low-Income Home Energy Assistance Program (93.568)
25. Child Care Development Funds Cluster (93.575/93.596)
26. Foster Care – Title IV-E (93.658/93.658ARRA)
27. Adoption Assistance (93.659/93.659ARRA)
28. Social Services Block Grant (93.667)
29. Children's Health Insurance Program (93.767)
30. Medicaid Cluster (93.775/93.777/93.778)
31. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

Social Security Administration

32. Social Security-Disability Insurance (96.001)

U.S. Department of Homeland Security

33. Homeland Security Grant Program (97.067)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$43,638,266**

(i) The State did not qualify as a low-risk auditee under section .530 of OMB Circular A-133.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

(2)(a) Findings related to the basic financial statements reported in accordance with *Government Auditing Standards*:

Findings related to the basic financial statements for the year ended June 30, 2014 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

(2)(b) Findings related to the schedule of expenditures of federal awards reported in accordance with *Government Auditing Standards*:

Finding No.	State Agency	Finding Title	Finding Type
2014-001	IL Office of the Governor and IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

Finding No.	State Agency	Finding Title	Finding Type
2014-002	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Time Frames	Material weakness
2014-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2014-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2014-018	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Office of the Governor and Office of the State Comptroller

Federal Agency: All Federal Agencies

Finding 2014-001 *Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards*

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the Statewide SEFA.

Accurate financial reporting problems continue to exist even though the auditors have: (1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies); (2) commented on the inadequacy of the financial reporting process of the State; and (3) regularly proposed adjustments to the financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor and towards the Office of the State Comptroller (IOC).

The IOC has made significant changes to the system used to compile financial information; however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post-audit program being a part of the internal control over financial reporting even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not and should not** be an internal control mechanism for any operational activity related to financial reporting.

The State of Illinois has a highly-decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the IOC. These financial reporting packages are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year-end accounting information to the Comptroller.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Comprehensive Annual Financial Report (CAFR) preparation process, the current process lacks sufficient internal controls at State agencies, which has resulted in adjustments relative to the SEFA over the past several years.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past twelve years as a result of errors identified during the external audits performed on State agencies. These problems significantly impact the preparation and completion of the SEFA and the identification of major programs.

Errors identified in the SEFA reporting process in the current year include corrections and unreconciled amounts identified in agency level findings for the Illinois Department of Human Services (Finding Code 2014-006), the Illinois Department of Healthcare and Family Services (Finding Code 2014-022), the Illinois Department of Children and Family Services (Finding Code 2014-026), the Illinois State Board of Education (Finding Code 2014-041), the Illinois Department of Employment Security (Finding Code 2014-

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

050), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2014-054), and the Illinois Department of Transportation (Finding Code 2014-058). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

Although the deficiencies relative to the SEFA financial reporting processes have been reported by the auditors for a number of years, **problems continue** with the State's ability to provide accurate external financial reporting. Although there were improvements to the timing of receiving the SEFA, corrective action necessary to remediate inaccurate information **continues to be problematic**.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. Without adequate financial and grants management systems, agency staff are required to perform highly manual calculations of SEFA amounts in a short time frame which results in increased errors. The lack of adequate financial and grants management personnel is due in part to a failure to establish the necessary job titles with specific qualifications to ensure agencies hire applicants that have the minimum required education and specialized skills.

In discussing these conditions with IOC management, they stated errors and delays at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accurate accumulation and reporting of financial information. The old and antiquated highly decentralized system of tracking, reporting and compiling federal spending information is inadequate to allow for the timely and accurate completion of the SEFA.

Failure to establish effective internal controls at all agencies regarding financial reporting for the preparation of the SEFA may prevent the State from completing an audit in accordance with timelines set forth in OMB Circular A-133 and may result in the suspension of federal funding. (Finding Code 2014-001, 2013-001, 12-01, 11-01, 10-01, 09-01, 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, and 02-01)

Recommendation:

We recommend the Office of the Governor and the IOC work together with the State agencies to establish a corrective action plan to address the quality of accounting information provided to and maintained by the IOC as it relates to year-end preparation of the SEFA.

Office of the Governor's Response:

The Office of the Governor agrees with the recommendation. The Office of the Governor will continue to work with the Office of the State Comptroller to address the core issues regarding the quality of the accounting information provided to and maintained by the IOC as it relates to year-end preparation of the SEFA.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

IOC's Response:

The Office accepts the recommendation. The 2014 and 2013 SEFA audits were completed approximately 2 months earlier than the audit of the 2012 SEFA. The old and antiquated patchwork of existing payment processing and financial reporting systems needs to be replaced with a new statewide accounting and grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC. The Office will work with the Governor's Office and the Financial Reporting Standards Board to meet this objective.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

(3) Current Findings and Questioned Costs Relating to Federal Awards:

Finding No.	State Agency	Finding Title	Finding Type
2014-002	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Time Frames	Material noncompliance and material weakness
2014-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
2014-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2014-005	IL Department of Human Services	Improper TANF Cluster Beneficiary Payment	Material noncompliance and material weakness
2014-006	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-007	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2014-008	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2014-009	IL Department of Human Services	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2014-010	IL Department of Human Services	Failure to Provide Adequate Documentation for Maintenance of Effort Requirement	Noncompliance and material weakness
2014-011	IL Department of Human Services	Inadequate Controls over Payroll Costs	Noncompliance and material weakness
2014-012	IL Department of Human Services	Failure to Monitor Child Care Provider Health and Safety Requirements	Noncompliance and material weakness
2014-013	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2014-014	IL Department of Human Services	Failure to Determine Eligibility in Accordance with Program Regulations	Noncompliance and material weakness
2014-015	IL Department of Human Services	Inaccurate Financial Report for the Vocational Rehabilitation Program	Noncompliance and significant deficiency
2014-016	IL Department of Human Services	Inaccurate Special Report for the TANF Cluster Program	Noncompliance and significant deficiency
2014-017	IL Department of Human Services	Failure to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2014-018	IL Department of Healthcare and Family Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2014-019	IL Department of Healthcare and Family Services	Failure to Update and Implement Reimbursement Rate Methodology Changes for Government-Owned Hospitals in a Timely Manner	Noncompliance and material weakness
2014-020	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Provider with Beneficiaries	Noncompliance and material weakness
2014-021	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2014-022	IL Department of Healthcare and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-023	IL Department of Healthcare and Family Services	Failure to Obtain Suspension and Debarment Certifications from Vendors	Noncompliance and material weakness
2014-024	IL Department of Healthcare and Family Services	Failure to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2014-025	IL Department of Children and Family Services	Failure to Properly Document or Execute Adoption Assistance Agreements	Noncompliance and material weakness
2014-026	IL Department of Children and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-027	IL Department of Children and Family Services	Inadequate Process for Reconciling Cash Balances to IOC's Records	Noncompliance and material weakness
2014-028	IL Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2014-029	IL Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness
2014-030	IL Department of Children and Family Services	Untimely Reporting of Subawards in Accordance with FFATA	Noncompliance and significant deficiency
2014-031	IL Department of Public Health	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Noncompliance and material weakness
2014-032	IL Department of Public Health	Failure to Investigate Provider Complaints within Required Time Frames	Noncompliance and material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2014-033	IL Department of Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and material weakness
2014-034	IL Department of Insurance	Inadequate Supporting Documentation for Payroll Costs	Material noncompliance and material weakness
2014-035	IL Department of Insurance	Unallowable Costs Charged to the ACA Exchanges Program	Material noncompliance and material weakness
2014-036	IL Department of Insurance	Inadequate Subrecipient Monitoring Procedures for ACA Exchanges Program	Material noncompliance and material weakness
2014-037	IL Department of Insurance	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and material weakness
2014-038	IL Department of Insurance	Failure to Obtain Suspension and Debarment Certifications from Subrecipients	Noncompliance and material weakness
2014-039	IL Department of Insurance	Inaccurate ACA Exchanges Financial Reports	Noncompliance and material weakness
2014-040	IL Department of Insurance	Failure to Report Subaward Information Required by FFATA	Noncompliance and material weakness
2014-041	IL State Board of Education	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-042	IL State Board of Education	Inadequate Procedures for Monitoring of Subrecipients	Noncompliance and material weakness
2014-043	IL State Board of Education	Inaccurate Special Report for Title I Program	Noncompliance and material weakness
2014-044	IL State Board of Education	Inadequate Special Report for Child Nutrition Cluster	Noncompliance and material weakness
2014-045	IL State Board of Education	Inadequate Process to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2014-046	IL Student Assistance Commission	Failure to Perform Required Due Diligence Procedures	Noncompliance and material weakness
2014-047	IL Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and significant deficiency
2014-048	IL Student Assistance Commission	Failure to Perform Required On-Site Program Compliance Reviews	Noncompliance and significant deficiency
2014-049	IL Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Time Frames	Noncompliance and material weakness
2014-050	IL Department of Employment Security	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness

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Finding No.	State Agency	Finding Title	Finding Type
2014-051	IL Department of Employment Security	Inadequate Process for Preparing Unemployment Insurance Financial Reports	Noncompliance and material weakness
2014-052	IL Department of Employment Security	Inadequate Documentation of Controls over Information Systems	Material weakness
2014-053	IL Department of Employment Security	Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports	Significant deficiency
2014-054	IL Department of Commerce and Economic Opportunity	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-055	IL Department of Commerce and Economic Opportunity	Inadequate Documentation of Monitoring of Subrecipients of the Weatherization Program	Noncompliance and material weakness
2014-056	IL Department of Transportation	Failure to Obtain Certified Payrolls Prior to Making Highway Planning and TIGER Contractor Payments	Material noncompliance and material weakness
2014-057	IL Department of Transportation	Failure to Retain Documentation in Accordance with Federal Regulations	Material noncompliance and material weakness
2014-058	IL Department of Transportation	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2014-059	IL Department of Transportation	Failure to Communicate ARRA Information and Requirements to Subrecipients	Noncompliance and material weakness
2014-060	IL Department of Transportation	Failure to Notify Subrecipients of Federal Funding	Noncompliance and material weakness
2014-061	IL Department of Transportation	Inaccurate High Speed Rail Financial Reports	Noncompliance and material weakness
2014-062	IL Department of Transportation	Inaccurate TIGER Financial Reports	Noncompliance and material weakness
2014-063	IL Department of Transportation	Inadequate Controls over Information Systems	Material weakness
2014-064	IL Department of Transportation	Failure to Follow Sampling and Testing Program for Construction Materials	Noncompliance and significant deficiency
2014-065	IL Department of Transportation	Failure to Perform a Value Engineering Analysis on Highway Planning and Construction Projects	Noncompliance and significant deficiency

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Finding No.	State Agency	Finding Title	Finding Type
2014-066	IL Emergency Management Agency	Inadequate Review of Subrecipient OMB Circular A-133 Reports	Noncompliance and material weakness
2014-067	IL Emergency Management Agency	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2014-068	IL Emergency Management Agency	Inadequate Process to Report Required Subaward Information	Noncompliance and significant deficiency
2014-069	IL Governor's Office of Management and Budget	Inadequate Procedures for Amending the Treasury-State Agreement	Noncompliance and material weakness

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children’s Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 (\$583,942,000)
93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-002 Failure to Perform Eligibility Redeterminations within Prescribed Time Frames

IDHS did not perform “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with time frames required by the respective State Plans.

Each of the State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. During our testwork over eligibility, we noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs. The monthly delinquency statistics by program for State fiscal year 2014 are as follows:

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF Cluster			
July	5,482	50,231	10.91%
August	5,790	50,417	11.48%
September	5,739	50,184	11.44%
October	5,813	50,604	11.48%
November	6,312	49,831	12.67%
December	6,518	50,252	12.97%
January	7,029	49,763	14.12%
February	6,898	49,464	13.94%
March	6,807	49,358	13.79%
April	6,795	49,158	13.82%
May	6,642	48,786	13.61%
June	6,516	48,761	13.36%

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Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
CHIP			
July	57,838	746,800	7.74%
August	58,435	741,588	7.88%
September	58,309	735,932	7.92%
October	59,090	734,083	8.05%
November	57,757	741,549	7.79%
December	58,089	744,949	7.80%
January	63,692	746,933	8.53%
February	64,692	756,380	8.55%
March	73,633	783,514	9.40%
April	74,459	810,415	9.19%
May	74,896	843,845	8.88%
June	77,674	873,092	8.90%
Medicaid Cluster			
July	146,118	508,098	28.76%
August	155,028	508,692	30.48%
September	159,567	509,288	31.33%
October	163,188	509,194	32.05%
November	166,330	509,700	32.63%
December	169,840	511,011	33.24%
January	169,840	509,921	33.31%
February	165,504	505,229	32.76%
March	171,526	503,590	34.06%
April	167,995	502,414	33.44%
May	153,957	489,543	31.45%
June	144,312	483,310	29.86%

During our testwork we noted redeterminations were not completed within required time frames for 30 cases tested. Delays in performing redeterminations ranged from 1 to 32 months after the required time frame.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2014	Total Fiscal Year 2014 Program Expenditures
TANF Cluster	50	\$12,498	\$76,294,000	\$583,942,000
CHIP	65	9,158	291,730,666	318,309,000
Medicaid Cluster	125	6,688	8,615,659,085	9,349,285,000

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Additionally, we selected a sample of 40 case files consisting of 6 CHIP and 34 Medicaid Cluster program case files (with total expenditures of \$69 and \$8,295, respectively) to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment population. During our testwork, we noted redeterminations were not completed within required time frames for two cases tested. Delays in performing redeterminations ranged from 2 to 10 months after the required time frame.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2014, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

In discussing these conditions with IDHS officials, they stated the cause of the finding is an increasing number of overdue redeterminations due to the absorption of cases that would have previously been eligible for administrative renewal; start up issues and time spent on process development with their vendor; and the amount of time spent on staff development for new hires.

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2014-002, 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Recommendation:

We recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the time frames prescribed within the State Plans for each affected program.

IDHS Response:

The Department agrees with the recommendation. IDHS will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within prescribed time frames.

Although DHFS and IDHS continued its contract with an outside vendor, Maximus, in order to perform electronic eligibility factor verifications, the function of Maximus was modified during the audit period. Beginning 2/1/14, a new Illinois Medicaid Redetermination Program process has begun. Maximus has developed a new redetermination system called Max-IL to record and store redetermination information for medical-only cases.

DHFS and IDHS have set up 4 specialized central redetermination units across the state to handle most medical only redeterminations. Staff in these units specialize in working in the new Max-IL system, developed by Maximus that records and stores redetermination information, forms, and verifications. The

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latter half of the audit period was met with a learning curve and staff becoming acclimated to the newly developed system and its functionality.

Additionally, although IDHS was able to hire some additional staff during the audit period, those hires were new staff having no previous IDHS program knowledge or experience. As a result, production was not initially at an optimum level given the needed staff development in addition to the barriers associated with new staff, processes, procedures, and software.

Also, this audit period represents the first full year after the Administrative Renewal process ended. As a result, the thousands of cases that qualified for renewal using the Administrative Renewal process had to be absorbed by casework staff, which added to the current backlog of overdue cases.

For Family Health Plans with no Supplemental Nutrition Assistance Program (SNAP) or cash, Maximus now handles the mailing of the pre-populated redetermination form. Maximus also facilitates the uploading of redetermination forms sent and returned, data-match results, and verifications provided by the client to Content Manager, ensuring easy retrieval for historical and audit purposes.

Using electronic data-matching, the MAX-IL system will make recommendations on the case's on-going eligibility. State casework staff will be responsible for making the final eligibility decision, and for performing the necessary re-determination reporting actions in the new Integrated Eligibility System and/or the legacy Automated Case Management system.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,327,899,000)
93.558 (\$583,942,000)
93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-003 *Failure to Properly Maintain and Control Case File Records*

IDHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS is the State agency responsible for performing eligibility determinations for the federal public welfare assistance programs. IDHS has established a series of local offices throughout the State at which eligibility determinations and redeterminations are performed and documented. The eligibility intake processes for each of the programs identified above require case workers to obtain and review supporting documentation including signed benefits applications, copies of source documents reviewed in verifying information reported by applicants, and other information. Although most of this information is entered into the electronic case record, IDHS also maintains manual paper files which include the source documents required to determine eligibility for its federal programs.

During our testwork, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted case files were generally available to all IDHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations. We selected 10 TANF Cluster eligibility case records from each of the five separate local offices (50 total) and noted two case records could not be located for our testing.

In addition, during our testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, we noted a number of case files were provided several weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS.

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We also noted several missing eligibility case files as described below:

Case Type	Number of Cases Missing	Total Amount of Payments Selected for Missing Cases	Total Fiscal Year 2014 Payments for Missing Cases
TANF Cluster	3	\$849	\$10,067
CHIP	17	278	341,549
Medicaid Cluster	20	2,619	116,082

We also noted IDHS could not locate three TANF Cluster case files selected for testwork with respect to the child support noncooperation and adult custodial parent of child under six when child care not available special tests and provisions.

Details of the beneficiary payments selected in our eligibility samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2014	Total Fiscal Year 2014 Program Expenditures
TANF Cluster	50	\$12,498	\$76,294,000	\$583,942,000
CHIP	65	9,158	291,730,666	318,309,000
Medicaid Cluster	125	6,688	8,615,659,085	9,349,285,000

Additionally, we selected a sample of 40 cases files consisting of six CHIP and 34 Medicaid Cluster program case files (with total expenditures of \$69 and \$8,295, respectively) to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment population. During our testwork, we noted missing eligibility cases files as described below:

Case Type	Number of Cases Missing	Total Amount of Payments Selected for Missing Cases	Total Fiscal Year 2014 Payments for Missing Cases
CHIP	1	\$3	\$1,280
Medicaid Cluster	1	84	1.469

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A133 Compliance Supplement, dated March 2014, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs.

Additionally, the A-102 Common Rule requires non-federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

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In discussing these conditions with IDHS officials, they stated the cause of the finding is due to the difficulty in locating case records in the Family and Community Resource Centers (FCRCs) and in centralized storage facilities.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding Code 2014-003, 2013-003, 12-03, 11-03, 10-04, 09-04, 08-04, 07-11)

Recommendation:

We recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program.

IDHS Response:

The Department accepts the recommendation. Despite our current fiscal, staffing, and space constraints, the Department continues to place a high priority on proper case file maintenance. Many of our FCRCs were storing an abundance of case files that exceeded storage capabilities within given file cabinets. Case files then had to be stored in hallways and passage ways, calling into question the safety of some of the buildings. In order to relieve some of the space limitations, offsite storage facilities were obtained and are being used. The Department is now utilizing a document management system that is capturing a portion of the information that was previously printed and stored in the paper case file, and now stored electronically. This is assisting in the reduction of the overwhelming size and amount of paper files in the offices.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
 Children’s Health Insurance Program
 Medicaid Cluster

CFDA # and Program Expenditures: 93.558 (\$583,942,000)
 93.767 (\$318,309,000)
 93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-004 *Missing Documentation in Beneficiary Eligibility Files*

IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and the Medicaid Cluster programs.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2014	Total Fiscal Year 2014 Program Expenditures
TANF Cluster	50	\$12,498	\$76,294,000	\$583,942,000
CHIP	65	9,158	291,730,666	318,309,000
Medicaid Cluster	125	6,688	8,615,659,085	9,349,285,000

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

- In 11 TANF Cluster cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2014 totaled \$27,935.
- In one TANF Cluster case, IDHS could not provide evidence that IDHS verified the beneficiary was engaged in the appropriate work activity. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2014 totaled \$2,915.
- In one TANF Cluster Child Support Cooperation special test case, IDHS could not provide evidence that proper follow-up had been performed after a Notice of Failure to Cooperate had been issued on the beneficiary’s case. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2014 totaled \$2,645.

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- In one TANF Cluster Penalty for Refusal to Work special test case, IDHS could not provide evidence that IDHS verified the beneficiary's participation in program work activities. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2014 totaled \$3,657.
- In four TANF Cluster Penalty for Refusal to Work special test cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary and no evidence could be provided to demonstrate IDHS appropriately verified the beneficiary's participation in program work activities. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2014 totaled \$14,910.
- In 11 TANF Cluster Adult Custodial Parent of Child under Six When Child Care Not Available special test cases, IDHS could not provide evidence that IDHS notified the beneficiary of reconciliation appointment notices before payment sanctions were levied. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2014 totaled \$21,107.
- In three TANF Cluster Adult Custodial Parent of Child under Six When Child Care Not Available special test cases, IDHS could not provide evidence that IDHS had obtained birth verification documents for the child under six. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2014 totaled \$4,194.
- In 13 CHIP and 17 Medicaid case files (with medical payments sampled of \$271 and \$2,011, respectively), IDHS could not locate the redetermination application completed and signed by the beneficiary. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2014 were \$37,607 and \$136,283 for the CHIP and Medicaid programs, respectively.
- In 13 CHIP and 22 Medicaid case files (with medical payments sampled of \$172 and \$2,829, respectively), IDHS could not locate adequate documentation evidencing income and asset verification performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on clients handwritten notes, or used income verified on previous applications. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2014 were \$210,387 and \$264,845 for the CHIP and Medicaid programs, respectively.
- In four CHIP and three Medicaid case files (with medical payments sampled of \$146 and \$91, respectively), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$13,540 and \$9,149, respectively, for the year ended June 30, 2014.
- In five Medicaid case files (with medical payments sampled of \$66), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois. Medical payments made on behalf of these beneficiaries under Medicaid were \$15,960, for the year ended June 30, 2014.
- In seven CHIP case files (with medical payments sampled of \$132), IDHS could not provide adequate documentation that cross-match verifications were performed to verify the beneficiary's eligibility. Medical payments made on behalf of these beneficiaries under CHIP were \$19,843 for the year ended June 30, 2014.
- In two CHIP case files (with medical payments sampled of \$138), IDHS could not provide adequate documentation that citizenship verifications were performed to verify the beneficiary's eligibility. Medical payments made on behalf of these beneficiaries under CHIP were \$3,043 for the year ended June 30, 2014.
- In four CHIP case files (with medical payments sampled of \$139), IDHS could not provide adequate documentation that the beneficiary's Social Security number was verified to be valid. Medical payments made on behalf of these beneficiaries under CHIP were \$11,686 for the year ended June 30, 2014.

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Additionally, we selected a sample of 40 case files consisting of 6 CHIP and 34 Medicaid Cluster program case files (with total expenditures of \$69 and \$8,295, respectively) to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment population. We noted the following exceptions during our testwork:

- In one Medicaid case file (with a medical payment sampled of \$628), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries under Medicaid were \$5,932 for the year ended June 30, 2014.
- In one Medicaid case file (with a medical payment sampled of \$628), IDHS could not provide adequate documentation that citizenship verifications were performed to verify the beneficiary's eligibility. Medical payments made on behalf of this beneficiary under Medicaid were \$15,037 for the year ended June 30, 2014.

In each of the case files missing documentation, each of the eligibility criteria was verified through additional supporting documentation in the client's paper and electronic case files. Therefore all information necessary to establish and support the client's eligibility for the period was available; however, the respective application and/or source documentation related to the redetermination/income verification procedures performed, including evidence of case worker review and approval, could not be located.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2013, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated the cause of the finding was due to misplaced documents.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2014-004, 2013-004, 12-04, 11-04, 10-06, 09-06, 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

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For the Year Ended June 30, 2014

Recommendation:

We recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

IDHS Response:

The Department agrees with the recommendation. We will continue to ensure staff understands the importance of proper and accurate filing processes. The Department is increasing the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
CFDA # and Program Expenditures: 93.558 (\$583,942,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-005 *Improper TANF Cluster Beneficiary Payment*

IDHS made an improper payment to a beneficiary of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork of 50 TANF Cluster program beneficiary payments, we noted two beneficiaries received payments for the addition of a family member to the family unit that were improperly calculated using the incorrect number of days. As a result of the calculation errors, the beneficiaries' monthly payments were understated in total by \$62. Payments made to these beneficiaries under the TANF Cluster were \$6,005 for the year ended June 30, 2014. The underpayments identified in our sample had not been calculated or paid to the beneficiaries as of the time of our testing (December 2014).

Beneficiary payments selected in our sample totaled \$12,498. Payments made on behalf of beneficiaries of the TANF Cluster program totaled \$76,294,000 during the year ended June 30, 2014.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In accordance with the OMB Circular A-133 Compliance Supplement, dated March 2014, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plan requires payments to be made to eligible beneficiaries in accordance with payment levels established within the State Plan.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated the cause of the finding was errors made in calculations of the amount of days representing an initial payment for the addition of a family member in two different TANF Cluster cases.

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Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding Code 2014-005, 2013-005, 12-05)

Recommendation:

We recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determinations and payments are properly made.

IDHS Response:

The Department agrees with the recommendation. In two cases, caseworker error in the calculation of days counted in the initial payment for the addition of a family member to a TANF Cluster case resulted in underpayments of a total of \$62. IDHS Policy states that underpayments can only be paid if the client has an open case of the same cash benefit program. Since both TANF Cluster cases for the two clients affected are no longer active, FCS central office staff has notated in the electronic case narrative that the underpayments have been calculated and should be made if the client returns to the TANF Cluster program.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
ARRA – WIC Grants to States
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for the Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,327,899,000)
10.557 (\$201,331,000)
10.578 (\$1,972,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.959 (\$65,475,000)
96.001 (\$83,518,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-006 *Inaccurate Reporting of Federal Expenditures*

IDHS did not accurately report Federal expenditures under the Supplemental Nutrition Assistance (SNAP) Cluster; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); ARRA – WIC Grants to States; Vocational Rehabilitation (Vocational Rehabilitation); Temporary Assistance for Needy Families Cluster; Child Care Development Fund Cluster (Child Care); Social Services Block Grant (Title XX); Block Grants for the Prevention and Treatment of Substance Abuse; and Disability Insurance/SSI Cluster (SSDI) programs.

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IDHS inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for IDHS’s major programs for the year ended June 30, 2014:

Program	Amounts per IDHS’s Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$3,327,899,000	\$3,320,786,000	\$7,109,000
WIC	201,331,000	198,880,000	2,451,000
Vocational Rehabilitation	124,506,000	129,040,000	(4,534,000)
TANF Cluster	583,517,000	588,963,000	(5,446,000)
Child Care Cluster	205,495,000	213,360,000	(7,865,000)
Title XX	65,133,000	67,643,000	(2,510,000)
SAPT	65,475,000	65,276,000	199,000
SSDI	83,528,000	79,971,000	3,557,000

We also noted a correction of \$500,000 was necessary to accurately report IDHS’s federal expenditures under the ARRA – WIC Grants to States program as of June 30, 2014.

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following major programs:

Program	Amounts per IDHS’s Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$4,762,000	\$12,868,000	(\$8,106,000)
WIC	189,997,000	197,736,000	(7,739,000)
Vocational Rehabilitation	25,506,000	26,006,000	(500,000)
TANF Cluster	148,753,000	1,090,000	147,663,000
Child Care Cluster	197,325,000	172,568,000	24,757,000
Title XX	39,794,000	27,842,000	11,952,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing these conditions with IDHS officials, they stated the grant errors were caused by lack of communication between the Bureau of Federal Reporting of the Department which maintains records of the allowable and claimed expenditures, and the Bureau of General Accounting of the Department which is responsible for preparing the SEFA.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-006, 2013-006)

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Recommendation:

We recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

IDHS Response:

The Department agrees with the recommendation. The Department will implement a process for reporting major grants on the SCO-563 using the “Bucket” information from Federal Reporting. This will ensure that federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC are accurately reported.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$201,331,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.959 (\$65,475,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-007 *Failure to Communicate Award Information to Subrecipients*

IDHS did not properly communicate required federal information to subrecipients at the time of award for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Vocational Rehabilitation Grants to States (VR); Temporary Assistance for Needy Families (TANF) Cluster; Child Care Development Fund Cluster (Child Care); Social Services Block Grant (Title XX); and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During our testwork of the award communications for our sample of subrecipients, we selected the fiscal year contracts awarded to each subrecipient in 2014 to review for compliance with federal award communication requirements. During our review of the award communication files for our sample of awards, we noted the following:

- For 15 TANF Cluster subrecipients and 2 Title XX subrecipients, the CFDA number was not communicated in the subrecipient award agreement.
- For one TANF Cluster subrecipient, the CFDA number on the contract provided did not agree with the CFDA number for the federal program funded.

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Details of the subrecipient payments selected in our samples are as follows:

Major Program	Number of Subrecipients Sampled	Amounts Passed Through to Subrecipients Sampled	Total Subrecipient Payments in Fiscal Year 2014	Total Fiscal Year 2014 Program Expenditures
WIC	41	\$93,727,419	\$189,997,000	\$201,331,000
VR	40	14,752,472	25,360,000	124,506,000
TANF Cluster	41	12,073,110	148,753,000	583,942,000
Child Care	42	102,384,001	197,324,000	205,495,000
Title XX	40	4,170,002	39,794,000	65,133,000
SAPT	40	5,563,030	61,457,000	65,475,000

According to OMB Circular A-133 §___.400(d)(1), a pass-through entity is required to identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

In discussing these conditions with IDHS officials, they stated the cause of the finding was due to an incomplete understanding of the procedures used for completing the award communication.

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards. (Finding Code 2014-007, 2013-007)

Recommendation:

We recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

IDHS Response:

The Department agrees with the recommendation. The Department will review and enhance its process to ensure award information is accurately communicated to subrecipients.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$201,331,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.959 (\$65,475,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-008 *Failure to Follow Established Subrecipient Monitoring Procedures*

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Vocational Rehabilitation (VR); Temporary Assistance for Needy Families (TANF) Cluster; Child Care Development Fund Cluster (Child Care); Social Services Block Grant (Title XX); and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

IDHS has implemented procedures whereby program staff perform periodic on-site and desk reviews of IDHS subrecipient compliance with regulations applicable to the federal programs administered by IDHS. Generally, these reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. IDHS's policies require the subrecipient to respond to each finding by providing a written corrective action plan. Additionally, IDHS performs reviews of expenditure reports submitted by subrecipients. IDHS subrecipient monitoring procedures are subject to the review and approval of a supervisor.

During our testwork over on-site and expenditure review procedures performed for 244 subrecipients of the WIC, VR, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established on-site monitoring procedures as follows:

- IDHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews. We noted the following exceptions:

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For the Year Ended June 30, 2014

Federal Program	Number of Late Communications	Number of Subrecipients Tested	Number of Days Late (Range)
TANF Cluster	3	41	37-55
WIC	2	41	27-40
SAPT	1	40	16

- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings. We noted the following exceptions:

Federal Program	Number of Late CAPs	Number of Subrecipients Tested	Number of Days Late (Range)
TANF Cluster	1	41	49
WIC	2	41	12-80
Child Care	2	42	1-21

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2014 in accordance with IDHS’s planned monitoring schedule. Specifically, we noted the following exceptions:

Federal Program	Number of Reviews Not Performed	Number of Subrecipients Tested
VR	10	40
Child Care	4	42
Title XX	4	40
TANF Cluster	2	41

- During our testwork performed, we noted that IDHS did not perform expenditure reviews of subrecipients in fiscal year 2014. Specifically, we noted the following exceptions:

Federal Program	Number of Reviews Not Performed	Number of Subrecipients Tested
Title XX	2	40

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For the Year Ended June 30, 2014

IDHS's subrecipient expenditures under the federal programs for the year ended June 30, 2014 were as follows:

Program	Total Fiscal Year 2014 Subrecipient Expenditures	Total Fiscal Year 2014 Program Expenditures	%
WIC	\$189,997,000	\$201,331,000	94.4%
VR	25,360,000	124,506,000	20.4%
TANF Cluster	148,753,000	583,942,000	25.5%
Child Care Cluster	197,325,000	205,495,000	96.0%
Title XX	39,794,000	65,133,000	61.1%
SAPT	61,457,000	65,475,000	93.9%

According to OMB Circular A-133 §__.400(d), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site procedures and expenditure reviews are performed in a timely manner and are designed to monitor fiscal controls.

In discussing these conditions with IDHS officials, they stated the finding was the result of untimely execution of programmatic onsite reviews and expenditure reviews and untimely notification of the results of programmatic onsite reviews.

Failure to adequately perform and document on-site monitoring and expenditure reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2014-008, 2013-009, 12-07, 11-09)

Recommendation:

We recommend IDHS ensure programmatic on-site and expenditure reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

IDHS Response:

The Department agrees with the recommendation. The Department will review its process to ensure all programmatic on-site and expenditure reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, IDHS will review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Security Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$201,331,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.959 (\$65,475,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-009 *Inadequate Review of OMB Circular A-133 Audit Reports*

IDHS did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Vocational Rehabilitation (VR); Temporary Assistance for Needy Families (TANF) Cluster; Child Care Development Fund Cluster (Child Care); Social Services Block Grant (Title XX); and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

During our review of a sample of 140 subrecipient OMB Circular A-133 audit desk review files, we noted IDHS did not notify 17 subrecipients of the results of A-133 audit desk reviews or issue management decisions on reported findings within six months of receiving the audit reports as required. These reviews were completed as follows:

Desk Review Period	Number of Subrecipients
180-210 days after receipt	9
210-240 days after receipt	6
240+ days after receipt	2

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IDHS's subrecipient expenditures under the federal programs for the year ended June 30, 2014 were as follows:

Program	Total Fiscal Year 2014 Subrecipient Expenditures	Total Fiscal Year 2014 Program Expenditures	%
WIC	\$197,736,000	\$201,331,000	98.2%
Vocational Rehabilitation	25,360,000	124,506,000	20.4%
TANF Cluster	148,753,000	583,942,000	25.5%
Child Care Cluster	197,308,000	205,495,000	96.0%
Title XX	27,842,000	65,133,000	42.7%
SAPT	61,457,000	65,475,000	93.9%

According to OMB Circular A-133 § ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, a pass-through entity is required to (1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDHS officials, they stated the finding was caused by a lack of adequate systems and staff vacancies to perform adequate review of OMB Circular A-133 audit reports.

Failure to obtain and review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2014-009, 2013-008, 12-06, 11-08)

Recommendation:

We recommend IDHS establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

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IDHS Response:

The Department agrees with the recommendation. The majority of the tasks to rectify this finding have been substantially completed to ensure that subrecipient A-133 audit reports are obtained and properly reviewed in a reasonable time frame, management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and follow-up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Block Grants for Prevention and Treatment of Substance Abuse
CFDA # and Program Expenditures: 93.959 (\$65,475,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-010 *Failure to Provide Adequate Documentation for Maintenance of Effort Requirement*

IDHS was unable to provide adequate supporting documentation to substantiate the State met the maintenance of effort (MOE) requirements for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years. In addition, the State is required to maintain its level of expenditures for substance abuse prevention and treatment services provided to pregnant women and women with dependent children, individuals with HIV, and individuals with tuberculosis.

During our testwork over 25 expenditures used by the State to meet the SAPT MOE requirements (totaling \$5,107,698), we noted IDHS could not provide detailed supporting documentation for 11 expenditures sampled (totaling \$1,822,670). Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort. Upon further review, we noted an additional \$120,372,123 for which detailed supporting documentation was not readily available.

State funded expenditures used to meet the SAPT MOE requirement totaled \$136,382,000 for the year ended June 30, 2014.

According to 45 CFR 96.30(a), the fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate supporting documentation to support the expenditures used to meet the MOE requirement.

In discussing these conditions with IDHS officials, they stated Division of Management Information Services (MIS) created summary expenditure reports for financial reporting. The system was not designed to provide detailed transaction reports due to the size of such reports.

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Failure to maintain adequate supporting documentation to support expenditures used to meet the MOE requirement results in unallowable costs and noncompliance with program requirements. (Finding Code 2014-010)

Recommendation:

We recommend IDHS review its process for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

IDHS Response:

The Department agrees with the recommendation. The Division of Alcoholism and Substance Abuse (DASA) and the Division of Management Information Services (MIS) are working together to create detail expenditure reports that will meet auditor needs

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Children’s Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,327,899,000)
10.557 (\$201,331,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)
93.959 (\$65,475,000)
96.001 (\$83,518,000)

Award Numbers: See table of award numbers

Questioned Costs: \$1,231

Finding 2014-011 *Inadequate Controls over Payroll Costs*

IDHS does not have adequate controls over payroll costs being charged to its federal programs.

IDHS administers several federal and state programs to assist Illinois families in achieving self-sufficiency, independence, and health. In administering each of these programs, IDHS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, IDHS has submitted a Public Assistance Cost Allocation Plan (PACAP) to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies by IDHS. IDHS has developed the methodologies for allocating costs to its programs, which IDHS believes best represent the actual costs associated with the program.

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Personal service (payroll and fringe benefits) expenditures represent the majority of expenditures allocated to federal programs through the PACAP. Personal service expenditures are approved on an annual basis (or more frequently if needed) through the completion of Department of Central Management Services employee information (CMS-2) forms which are filed within each employee’s personnel file. Among other things, the CMS-2 form details the employee’s approved salary amount, job code, and cost center.

During our review of 163 employee payroll charges (totaling \$547,516) allocated to IDHS’s federal programs during the year ended June 30, 2014, we noted amounts paid to employees were not consistent with amounts approved on the CMS-2 form applicable for the period tested. Specifically, we noted the following errors:

- The salary paid to one employee sampled was \$50 more than the approved salary documented on the CMS-2 form. Upon further review, we noted this amount was paid each pay period in fiscal year 2014 resulting in unapproved payroll charges of \$1,200. Accordingly, the Supplemental Nutrition Assistance Program (SNAP) Cluster and Temporary Assistance for Needy Families (TANF) Cluster programs were overcharged by \$498 and \$73, respectively, during the year ended June 30, 2014.
- The salary paid to one employee sampled was \$27 less than the approved salary documented on their CMS-2 form. Upon further review, we noted IDHS identified the error and corrected the employee’s payroll through a gross adjustment on a subsequent pay period; however, the amount of the correction was \$58 resulting in a net overstatement in the employee’s pay of \$31. Accordingly, the Children’s Health Insurance Program (CHIP), Medicaid, and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs were overcharged by \$2, \$4, and \$15, respectively, during the year ended June 30, 2014.
- The salary paid to one employee sampled was paid \$181 less than the approved salary documented on their CMS-2 form. Upon further review, we noted this error occurred for 19 pay periods during fiscal year 2014. This resulted in a total understatement in the employee’s pay of \$3,430. Accordingly, the Supplemental Nutrition Assistance Program (SNAP) Cluster and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) programs were undercharged.

Total personal services costs allocated through the PACAP for the programs listed above for the year ended June 30, 2014 were \$319,335,000. The amounts by program are as follows:

Program	Amount
SNAP	\$160,192,000
WIC	3,356,000
VR	59,804,000
TANF Cluster	31,245,000
Child Care	6,694,000
Title XX	1,457,000
SAPT	4,302,000
SSDI	52,285,000
Total	\$319,335,000

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According to A-87, attachment B (8) (h), charges to Federal Awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. Additionally, the A-102 Common Rule requires non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure approved salary and wage amounts are paid to employees.

In discussing these conditions with IDHS officials, they stated delays in processing the CMS-2 form by the Department of Central Management Services contributed to this finding.

Failure to pay approved employee salary amounts may result in the unallowable costs being charged to federal programs. (Finding Code 2014-011)

Recommendations:

We recommend IDHS implement procedures to ensure employee salary amounts paid are consistent with the approved CMS-2 form.

IDHS Response:

The Department agrees with the recommendation. IDHS will ensure that the employee salary matches the most current CMS-2 form.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Child Care Development Fund Cluster
CFDA # and Program Expenditures: 93.575/93.596 (\$205,495,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-012 *Failure to Monitor Child Care Provider Health and Safety Requirements*

IDHS did not perform monitoring reviews of health and safety requirements for providers of the Child Care Development Fund (Child Care) Cluster program.

As a condition of receiving Child Care program funding, IDHS is required to certify that procedures are in place to ensure child care providers comply with all applicable health and safety requirements. Such requirements include prevention and control of infectious disease, building and physical premises safety, and basic health and safety training for providers. IDHS's procedures require health and safety monitoring reviews to be performed on an annual basis. During our review of 25 providers who received child care funding, we noted a health and safety monitoring review was not performed for four providers during the year ended June 30, 2014.

According to 45 CFR 98.41, the State is required to certify that there are monitoring and enforcement requirements designed to protect the health and safety of children that apply to child care providers receiving federal funding.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure child care providers are monitored for health and safety requirements as required under State and federal law.

In discussing these conditions with IDHS officials, they stated the cause of the finding was a lack of monitoring staff allocated at DCFS to handle the abundance of licensed monitoring reviews required.

Failure to monitor compliance with State health and safety requirements results in noncompliance with federal regulations. (Finding Code 2014-012, 2013-011)

Recommendation:

We recommend IDHS review its process for monitoring child care provider compliance with State health and safety requirements and implement the changes necessary to ensure required monitoring is performed.

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IDHS Response:

The Department accepts the recommendation. Administrative Code, Title 89, Chapter III, Subchapter D, Part 383, states that monitoring visits for child care institutions shall be conducted annually by an Illinois Department of Children and Family Services (DCFS) licensing representative. Although IDHS, as the Child Care lead agency, is not responsible for executing monitoring visits to licensed child care centers, the Department does assume responsibility for ensuring child care providers are monitored for compliance with health and safety requirements. The auditors tested IDHS for the proper health and safety monitoring of 25 child care facilities. Ten of the tested facilities were license exempt facilities, for which IDHS is responsible for obtaining the self-certification form from the provider, which covers the health and safety issue. IDHS was able to obtain all 10 self-certification forms. The remaining 15 selections were state licensed providers, for which DCFS is responsible for the health and safety monitoring. We obtained the proper health and safety monitoring documents from DCFS for 13 of the 15 selections. According to DCFS, the required health and safety review was not performed for two of the selections. Prior to the conclusion of the audit, DCFS was able to perform the monitoring visits on both providers.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutritional Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Children’s Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 (\$3,327,899,000)
10.557 (\$201,331,000)
84.126 (\$124,506,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)
93.959 (\$65,475,000)
96.001 (\$83,518,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-013 *Inadequate Controls over Information Systems*

IDHS does not have adequate program access and change management controls over information systems used to document and determine beneficiary eligibility and record program expenditures.

The information technology applications that support the IDHS major programs include the following:

- *Concurrent* – serves as the eligibility system for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs. The system is used by IDHS to store participant information, perform eligibility determinations for participants, and initiate and document the completion of a variety of required cross-matches for its federal programs.
- *Child Care Management System (CCMS)* – serves as the main database for the State’s child care activities which is funded by the Child Care Development Fund (Child Care) Cluster, and TANF Cluster programs. The system is used by IDHS and its subrecipients to store participant information,

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perform eligibility determinations for participants, and track the issuance and redemption of child care vouchers.

- *Consolidated Accounting Record System (CARS)* – serves as the financial accounting database for all of IDHS’s federal programs and State-funded programs. This system is used by IDHS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Cornerstone* – serves as the data management and analysis system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system is used by IDHS to store participant information, perform eligibility determinations for participants, and provide benefit information for payment.

During our testwork of IDHS’s controls over user access to IDHS applications, we noted the following:

- Three terminated employees (out of 25 tested) retained application access after their termination date for the Concurrent, Child Care Management System, and Consolidated Accounting Record System applications.
- IDHS’s policies and procedures do not include specific procedures to review access rights for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Fund Cluster, and TANF Cluster programs.

Additionally, during our testwork over changes made to IDHS’s information systems, we noted IDHS was not able to generate a list of changes made to its information systems from each respective information system or application identified above. IDHS’s current procedures include tracking changes made to its information systems in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDHS from the database during our audit was complete.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDHS officials, they stated this finding was caused by inadequate Resource Access Control Facility (RACF) / Local Area Network (LAN) Coordinator oversight in regards to the user accounts being active after personnel separation. Concurrent and CAT systems inability to produce system generation reports due to significant legacy technology limitations.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2014-013, 2013-014, 12-12)

Recommendation:

We recommend IDHS implement policies and procedures to ensure access to its information systems is adequately secured and to generate a list of program changes from its information systems and applications.

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IDHS Response:

The Department agrees with the recommendation. Internal RACF controls revoke IDs after 60 days which result in minimal risk to unauthorized access to information systems.

The policies and procedures to review access rights for Subrecipient organization are the same RACF policies and procedures currently in place for internal users. This includes the now annual (former 3-year rotational) review of user accounts.

Cornerstone and CCMS utilizes Clearcase which produces a system generated change management report due to the advanced technology used in its development. CARs and Concurrent, are legacy mainframe systems that were developed 15 to 30 years ago. The capability to produce a system generated report for these mainframe systems does not exist through third party marketplace. To develop a custom application create such system generated reports would be prohibitively expensive. The current change management process, CAT tracking system, has been utilized in both Concurrent and CCTS and was deemed as an adequate control with low risk. The CARs system utilizes PANVALET. Both CATS and PANVALET change management processes involve programmers submitting their changes to CCMS who then move the changes to production. IDHS staff cannot move programs into production. IDHS considers this separation of duties a compensating internal control to our change management process. Due to the age and complexity of the Concurrent and CARS systems, IDHS eventually plans on replacing the systems with newer technologies however, at this time it is not economically feasible. IDHS management accepts the low risk associated with our change management process due to the compensating controls and procedures mentioned. The internal controls utilized by the four systems provide adequate change management that meets federal NIST standards.

Auditors' Comment:

As noted in the finding above, we identified exceptions relative to access and change management control procedures implemented by IDHS. Although we agree that certain compensating controls are in place, we are required to design our audit to obtain a low-level of control risk. We have evaluated the exceptions discussed above and have determined the exceptions rise to the level of a material weakness based on the criteria in OMB Circular A-133.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 (\$124,506,000)

Award Numbers: See table of award numbers

Questioned Costs: \$942

Finding 2014-014 *Failure to Determine Eligibility in Accordance with Program Regulations*

IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Grants to States program in accordance with federal regulations.

During our testwork of Vocational Rehabilitation Grants to States program 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 in our testwork:

- For one case, IDHS did not perform a timely eligibility determination. The time between the application date and eligibility determination date exceeded the required 60-day time frame. Payments made on the behalf of this beneficiary during the year ended June 30, 2014 were \$230. The payment selected in our sample for this beneficiary was \$115.
- For one case, IDHS was not able to provide voucher support for the payment made to the beneficiary. Payments made on the behalf of this beneficiary during the year ended June 30, 2014 were \$2,124. The payment selected in our sample for this beneficiary was \$942.

Payments made to beneficiaries of the Vocational Rehabilitation Grants to States program totaled \$20,544,000 during the year ended June 30, 2014.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

In discussing these conditions with IDHS officials, they stated human error contributed to the discrepancies noted for the two clients. The Division of Rehabilitation Services (DRS) will enhance its eligibility determination process.

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Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs. (Finding Code 2014-014, 2013-010, 12-08, 11-11)

Recommendations:

We recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations.

IDHS Response:

The Department agrees with the recommendation. DRS will review the process for any improvements that can be made to ensure eligibility is determined in accordance with program regulations.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 (\$124,506,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-015 *Inaccurate Financial Report for the Vocational Rehabilitation Program*

IDHS did not prepare an accurate periodic financial report for the Vocational Rehabilitation Grants to States program.

IDHS is required to prepare an annual program cost report (RSA-2) for the program. During our testwork over the RSA-2 report for the federal fiscal year ended September 30, 2013, we noted IDHS inaccurately reported the following line item:

Report Line Item	Reported Amount	Actual Amount	Difference Over / (Under) -stated
Amount of Previous Fiscal Year Section 110 Allotment carried over and expended this FY	\$106,250,421	\$109,250,421	(\$3,000,000)

According to 34 CFR 361.40, the State must comply with the requirements necessary to ensure the accuracy and verification of reports required to be submitted for the program. In addition, the A-102 Common Rule requires non-federal entities receiving Federal Awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure expenditures are accurately reported in the program cost report.

In discussing these conditions with IDHS officials, they stated information carried from the SF-425 financial report into the RSA-2 workpapers was miskeyed, and subsequent review did not catch the error.

Failure to accurately prepare financial reports prevents the USDE from effectively monitoring the Vocational Rehabilitation Grants to States program. (Finding Code 2014-015)

Recommendation:

We recommend IDHS review the process and procedures in place to prepare financial reports required for the Vocational Rehabilitation Grants to States program and implement procedures necessary to ensure the reports are accurate.

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IDHS Response:

The Department agrees with the recommendation. DRS will refine the process for all financial reports so that reviews can be easily conducted to identify any inaccuracies.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families Cluster
CFDA # and Program Expenditures: 93.558 (\$583,942,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-016 *Inaccurate Special Report for the TANF Cluster Program*

IDHS did not prepare an accurate special report for the Temporary Assistance for Needy Families (TANF) Cluster program.

IDHS is required to prepare a performance report (ACF-204) identifying all State-funded and Maintenance of Effort (MOE) expenditures for the TANF Cluster on an annual basis. During our testwork, we noted the following errors in the ACF-204 report for the federal fiscal year ended September 30, 2013:

Report Line Item	Reported Number	Actual Number	Difference Over / (Under)stated
Child Care – Total Number of Families Served under the Program with MOE Funds	55,967	56,132	(165)
Youth Programs Through the State Board of Education – Total Number of Families Served under the Program with MOE Funds	193,962	73,697	120,265

According to 45 CFR 265.10, the State must comply with the requirements necessary to ensure the accuracy and verification of reports required to be submitted for the program. In addition, the A-102 Common Rule requires non-federal entities receiving Federal Awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data is accurately reported.

In discussing these conditions with IDHS officials, they stated formula errors in reporting the number of families served for the two report line-items noted contributed to the discrepancies noted by the auditors.

Failure to accurately prepare special reports prevents the USDHHS from effectively monitoring the TANF Cluster program. (Finding Code 2014-016)

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Recommendation:

We recommend IDHS review the process and procedures in place to prepare special reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate.

IDHS Response:

The Department agrees with the recommendation. Within one day after being informed of the errors, we fixed the formulas for the total families served, and submitted the revised numbers to the Federal government.

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State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 (\$201,331,000)
93.558 (\$583,942,000)
93.575/93.596 (\$205,495,000)
93.667 (\$65,133,000)
93.959 (\$65,475,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-017 Failure to Report Subaward Information Required by FFATA

IDHS failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Temporary Assistance for Needy Families (TANF) Cluster; Child Care Development Fund (Child Care) Cluster; Social Services Block Grant (Title XX); and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork of 200 subawards (40 for each program), we noted the following exceptions:

- The subaward amounts reported to the federal government do not agree with the subaward documents for 17 SAPT subawards.
- The subaward dates reported to the federal government do not agree with the subaward documents for eight SAPT subawards.
- Subaward amounts were not reported at all for one SAPT and one Title XX subaward.
- Subaward information was not reported for 15 Child Care Cluster, 8 Title XX, and 2 WIC subawards as of the date of our testing (January 12, 2015).
- Subaward information was not reported at all for awards under FAIN numbers for the TANF Cluster as of the date of our testing (January 12, 2015).

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IDHS’s subrecipient expenditures under the federal programs for the year ended June 30, 2014 were as follows:

Program	Total Fiscal Year 2014 Subrecipient Expenditures	Total Fiscal Year 2014 Program Expenditures	%
WIC	\$189,997,000	\$201,331,000	94.4%
TANF Cluster	148,753,000	583,942,000	25.5%
Child Care Cluster	197,324,000	205,495,000	96.0%
Title XX	39,794,000	65,133,000	61.1%
SAPT	61,457,000	65,475,000	93.9%

According to 2 CFR 170, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures (1) to identify awards subject to FFATA and (2) to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with IDHS officials, they stated the cause of the finding was due to the transfer of the function to the Divisions without sufficient training; difficulties using the reporting website; and lack of coordination between Divisions, resulting in some subawards not being reported and/or rejected.

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal regulations. (Finding Code 2014-017, 2013-012, 12-11)

Recommendation:

We recommend IDHS establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with the FFATA.

IDHS Response:

The Department accepts the recommendation. We expect to improve by establishing FFATA reporting timelines and policy within DHS-Divisions and ensuring the reporting requirements are met.

In July 2013, the FFATA reporting function was transferred to the Division with minimal guidance and training, and the process continues to evolve. The FFATA reporting function has been met with several barriers that we continue to work through.

Issues that prevent successful reporting include inaccurate provider data entry of demographic information such as the provider zip code and/or zip plus four code. If these codes are not initially entered, or entered incorrectly by the provider into the SAMS.gov system, successful FFATA reporting is not possible by Division/Department staff. Only the provider can correct any incorrect zip + four entry in SAMS.gov to allow for successful FFATA reporting. The Division has established a process of follow up with providers

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on those FFATA reporting attempts that reject due to the incorrect provider entries, but until the provider corrects their information in SAMS.gov, the Department is unable to report.

Additionally, another reporting obstacle relates to Federal Award Identification Numbers (FAINs) that are shared among Divisions. Each FAIN has several subawards that may cross Divisions. The first Division/staff to perform the FFATA reporting function in FSRS for a subaward becomes the owner of the FAIN, regardless of how many or to which Division the subawards belong. The Department is in the midst of trying to organize a user workgroup in order to coordinate FFATA reporting; discuss and share best practices; and to ensure a complete understanding of the FFATA reporting requirements.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Children’s Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-018 Missing Documentation in Beneficiary Eligibility Files

DHFS could not locate case file documentation supporting eligibility determination for beneficiaries of the Children’s Health Insurance Program (CHIP) and the Medicaid Cluster Programs.

Details of the beneficiary payments selected in our samples for the CHIP and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2014	Total Fiscal Year 2014 Program Expenditures
CHIP	65	\$9,158	\$291,730,666	\$318,309,000
Medicaid Cluster	125	6,688	8,615,659,085	9,349,285,000

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

- In one CHIP case file (with medical payments sampled of \$85), DHFS could not locate documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of this beneficiary of the CHIP Program were \$282 during the year ended June 30, 2014.
- In six CHIP case files (with medical payments sampled of \$8,201), DHFS could not locate documentation supporting the completion of redetermination procedures. Missing documentation includes signed applications, paystubs, redetermination applications, and verification cross-matches. Medical payments made on behalf of these beneficiaries for the CHIP program were \$96,370 during the year ended June 30, 2014.
- In one CHIP case file (with a medical payment sampled of \$1), DHFS did not complete redetermination procedures within required time frames. The delay in completing this redetermination was six months after the required time frame.

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We also selected a sample of 40 case files consisting of 6 CHIP and 34 Medicaid Cluster program case files (with total expenditures of \$69 and \$8,295, respectively) to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment populations. During our testing of these cases, we noted DHFS did not complete redetermination procedures within required time frames for one CHIP case (with a medical payment sampled of \$27). The delay in completing this redetermination was seven months after the required time frame.

Additionally, in the current year audit we were required to design our tests of the eligibility compliance requirement to exclude those beneficiaries whose eligibility determinations were performed using the Modified Adjusted Gross Income (MAGI) method. DHFS had significant difficulty providing a complete population of non-MAGI Medicaid and CHIP medical beneficiary payments which required us to perform our sampling procedures several times due to identification of non-MAGI beneficiary payments in the MAGI populations. As a result, our testing procedures were not completed until February 20, 2015 which delayed the completion of the State's single audit.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2014, DHFS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation. Effective controls should also include maintaining program information in a manner that permits the State to provide complete and accurate populations for audit in a timely manner.

In discussing these conditions with DHFS officials, they stated over the last few years DHFS, in conjunction with IDHS, has been working to refine the renewal process and reduce the number of delinquent eligibility reviews.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2014-018)

Recommendation:

We recommend DHFS review its current process for maintaining documentation supporting eligibility determinations and considers changes necessary to ensure all eligibility determination documentation is properly maintained. Additionally, DHFS should review its procedures for preparing medical beneficiary payment populations for audit and implement procedures to ensure complete and accurate populations are provided in a timely manner.

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DHFS Response:

The Department accepts the recommendation. DHFS is working with IDHS to incorporate all initial eligibility and redeterminations of eligibility into the new Integrated Eligibility System which will significantly improve record retention.

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State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-019 *Failure to Update and Implement Reimbursement Rate Methodology Changes for Government-Owned Hospitals in a Timely Manner*

DHFS did not update per diem rates and make related adjustments in a timely manner for government-owned hospitals participating in the Medicaid Cluster.

On December 4, 2008, the Department received approval from the Centers for Medicare and Medicaid Services (CMS) for an amendment to the Medicaid State Plan, which changed the methodology for reimbursing government-owned hospitals participating in the Medicaid Cluster and was retroactive as of July 1, 2008. According to the amendment, DHFS was to reimburse the government owned hospitals a total per diem rate which is the sum of a calculated inpatient per diem, a calculated disproportionate share adjustment, and a calculated supplemental disproportionate share adjustment less the amount of expenditures certified by the respective hospitals. The total per diem rates for these two hospitals are recalculated on an annual basis, with State statute requiring the government-owned hospital per diem be set by October 1st of each year. Further, each government-owned hospital receives an annual disproportionate share hospital award which is required to be paid out in twelve equal monthly installments throughout the year.

During our testwork of 65 CHIP and 125 Medicaid beneficiary payments, we reviewed provider reimbursements for accuracy and the allowability of the related benefits provided. During those procedures, we noted DHFS did not finalize the 2014 per diem rates for two providers until April and June 2014, respectively. Because DHFS did not set the provider per diem rates for 2014 until April and June 2014, these hospitals' reimbursements for State fiscal year 2014 were subsequently adjusted by \$4,830,179 for inpatient rates and \$13,678,112 for outpatient rates in May and July 2014.

In accordance with 42 CFR 447.15 and the approved Medicaid State Plan, DHFS is required to limit participation in the Medicaid program to providers who accept, as payment in full, the amounts paid by the agency for services rendered to beneficiaries. Further, the approved Medicaid State Plan requires the annual amount of each disproportionate share hospital payment for which a government-owned hospital qualifies to be made in 12 equal installments throughout the fiscal year. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure hospital reimbursement rates are updated in a timely manner and disproportionate share hospital payments are made within the required time frames.

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In discussing these conditions with DHFS officials, they stated the inpatient and outpatient rates were not timely due to ongoing rate negotiations with the government hospitals.

Failure to ensure hospital reimbursement rates are updated and disproportionate share hospital payments are made in a timely manner may result in inaccurate provider reimbursements, inaccurate financial reporting of expenditures, and provider overpayments, which are unallowable costs. (Finding Code 2014-019, 2013-018, 12-20, 11-24, 10-23)

Recommendation:

We recommend DHFS implement procedures to ensure all per diem rates are updated and adjustments are made in a timely manner for government-owned hospitals.

DHFS Response:

The Department accepts the recommendation. Large government owned hospitals rates are calculated in accordance with the Medicaid State Plan. Negotiations with these hospitals have frequently led to yearly rate implementation dates beyond the July 1st deadline set in rule. As of July 1, 2014, outpatient rates for these hospitals are now calculated in accordance with Enhanced Ambulatory Patient Groups (EAPG) methodology and inpatient rates are the only rates calculated using the methodology noted in this finding. The Department procedures for calculating the inpatient rates now include issuance of effective rates and letters to these hospitals by July 1 of each year.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-020 *Inadequate Process to Verify Procedures Billed by Provider with Beneficiaries*

DHFS does not have adequate procedures in place to verify with beneficiaries of the Medicaid Cluster program whether services billed by providers were actually received.

During our testwork, we noted DHFS procedures for verifying with beneficiaries whether services billed by providers were actually received by Medicaid Cluster Beneficiaries consisted of special projects performed by the DHFS Office of Inspector General and Bureau of Comprehensive Health Services. However, the current projects only cover procedures billed by non-emergency transportation providers, optometric providers, and dental providers which only account for 1.33% of total provider reimbursements. Further, DHFS does not perform any verification procedures for services billed by the following provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- Managed Care Organizations
- Home and Community-Based Service Providers
- Physical Therapy Providers
- Occupational Therapy Providers

Payments made to non-emergency transportation providers, optometric providers, and dental providers totaled \$114,200,000 during the year ended June 30, 2014. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled \$8,615,659,000 during the year ended June 30, 2014.

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to verify with recipients whether services billed by providers were received.

In discussing these conditions with DHFS officials, they stated the Department used a risk-based approach to determine which provider services were verified as received by recipients.

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Failure to verify with recipients whether services billed by providers were received may result in expenditures being made for services not actually provided to beneficiaries, which are unallowable costs. (Finding Code 2014-020, 2013-017, 12-19, 11-23, 10-20)

Recommendation:

We recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

DHFS Response:

The Department accepts the recommendation. The Department will implement a pilot project to verify services received by recipients for all provider types in order to re-evaluate the Department's risk based approach. The new MMIS will fully implement this process through various requirements that include:

- Validation of Explanation of Benefits (EOB) online through the recipient portal;
- Dynamic system functionality that supports EOB sample selections;
- Ability to include laymen's description of procedure and diagnosis codes on EOBs; and
- Functionality that supports linguistically and culturally appropriate EOBs.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-021 *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

DHFS does not have an adequate process to monitor agencies operating the Home and Community-Based Services Waiver programs.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved home and community-based waiver programs. Eight of the nine waivers are operated by other state agencies. As the single state Medicaid agency, DHFS is responsible for oversight and monitoring of the other state-agencies to ensure compliance with federal waiver assurances. Approximately 40,000 home and community based waiver providers are eligible to participate in the waiver programs. Monitoring procedures primarily consist of medical record reviews, reviews of annual audited financial statements, and comprehensive on-site reviews developed in accordance with the State Plan. DHFS contracts with service providers to perform the medical claim record reviews and on-site reviews over an annual sample of 600 medical claim records and 23 providers.

During our review of monitoring procedures performed by DHFS and its service providers, we noted DHFS does not have a formalized process to follow up on deficiencies identified during on-site reviews for the Brain Injury, HIV and AIDS, and Persons with Disabilities waiver programs. Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. However, no formal follow-up procedures are performed to ensure the corrective action plans were implemented or whether the deficiencies may still exist.

According to 42 CFR 431.10, the Medicaid agency is responsible for ensuring that a waiver is operated in accordance with applicable Federal regulations and the provisions of the waiver itself. According to 42 CFR 441.302, states are required to provide assurance that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of the services. Those safeguards must include adequate standards for all types of providers that provide services under the waiver; assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver; and assurance that all facilities covered by section 1616(e) of the Act, in which home and community-based services will be provided, are in compliance with applicable State standards that meet the requirements of 45 CFR Part 1397 for board and care facilities.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and

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program compliance requirements. Effective internal controls should include establishing follow-up procedures on monitoring deficiencies to determine whether corrective action plans are implemented or whether the deficiencies still exist.

In discussing these conditions with DHFS officials, they stated the transition to a new Quality Improvement Organization (QIO) and the Bureau lacking nursing staff (due to vacancies), created a delay in the Bureau's review of reports submitted by the new QIO.

Failure to adequately monitor agencies operating Home and Community-Based Waiver programs may result in provider health and safety standard violations and unallowable costs being claimed to the program. (Finding Code 2014-021, 2013-019, 12-25)

Recommendation:

We recommend DHFS review its current process for monitoring agencies operating Home and Community-Based Waivers to ensure monitoring is in accordance with the federal regulations.

DHFS Response:

The Department accepts the recommendation. The DHFS monitoring process developed requires a response within 60 days from the date of the DHFS notification of findings. DHFS specifically requests that the operating agencies submit a plan of correction, including both individual and systemic remediation. In addition, DHFS and the operating agencies discuss the findings and remediation during quarterly meetings. For non-routine issues that may impact health, safety or welfare of waiver participants, DHFS notifies the operating agency immediately and issues are addressed by the operating agency as quickly as possible. DHFS follows up to closure to ensure the health, safety and welfare of waiver participants. The Department has implemented formal procedures to monitor follow-up responses from the operating agencies to ensure corrective action is taken.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Children’s Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-022 Inaccurate Reporting of Federal Expenditures

DHFS did not accurately report Federal expenditures under the Children’s Health Insurance Program (CHIP) and Medicaid Cluster programs.

DHFS inaccurately reported federal expenditures, which were used to prepare the schedule of expenditures of federal awards (SEFA), to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for DHFS’s major programs for the year ended June 30, 2014:

Program	Amounts per DHFS’s Records	Amounts Initially Reported to the IOC	Difference
Medicaid	\$9,347,780,000	\$9,349,285,000	(\$1,505,000)
CHIP	318,263,000	318,309,000	46,000

Although the errors identified in the table above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate errors of this nature outside of the audit process. Accordingly, an error which maybe material to the SEFA in qualitative terms could occur and not be detected by the State.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing these conditions with DHFS officials, they stated they did not consider the adjustment amount to be material to the total reported Medicaid Cluster expenditures.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-022)

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Recommendation:

We recommend DHFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

DHFS Response:

The Department accepts the recommendation. The Department will post all future adjustments associated with the SEFA.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 (\$133,382,000)
93.767 (\$318,309,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-023 *Failure to Obtain Suspension and Debarment Certifications from Vendors*

DHFS did not obtain required certifications that vendors or medical providers were not suspended or debarred from participation in Federal assistance programs for the Child Support Enforcement (Child Support); Children's Health Insurance Program (CHIP); and Medicaid Cluster Programs.

During our review of 20 vendors of the Child Support program and 20 vendors allocated to all federal programs, we noted certifications were not obtained from 6 vendors to indicate whether or not these vendors were suspended or debarred from participation in Federal assistance programs. Additionally, DHFS did not perform a verification check with the System for Award Management (SAM) maintained by the U.S. Government. We also noted DHFS has not developed procedures to perform verification checks of medical providers with SAM as required by federal regulations.

Payments to vendors allocated to the Child Support, CHIP, and Medicaid Cluster Programs totaled \$15,139,000, \$9,535,000, and \$566,528,000, respectively, during the year ended June 30, 2014. Payments made to providers on the behalf of beneficiaries of the CHIP and Medicaid programs were \$291,731,000 and \$8,615,659,000, respectively, during the year ended June 30, 2014.

According to 45 CFR 74.13, subawards and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in the Federal assistance programs or activities under Executive Order 12549 and 12689, "Debarment and Suspension," are prohibited. According to 42 CFR 455.436, effective March 25, 2011, a state is required to perform verification checks of providers with the "List of Excluded Individuals/Entities" maintained by the USDHHS and the SAM maintained by the U.S. Government no less frequently than monthly. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with DHFS officials, they stated the six vendors identified as exceptions were procured by the Illinois Department of Central Management Services (DCMS) under master contracts and the Department relied on procedures performed by DCMS.

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Failure to perform verification procedures with the SAM could result in the awarding of Federal funds to vendors that are suspended or debarred from participation in Federal assistance programs. (Finding Code 2014-023, 2013-020, 12-23, 11-31, 10-32, 09-24)

Recommendation:

We recommend DHFS establish procedures to ensure that vendors contracting with DHFS are not suspended or debarred or otherwise excluded from participation in Federal assistance programs. We also recommend DHFS work with agencies contracting with vendors on the behalf of DHFS to ensure the suspension and debarment certifications are included or the SAM is checked.

DHFS Response:

The Department accepts the recommendation. The Department has worked with the Chief Procurement Officer's (CPO's) office to ensure the proper language is included in master contracts procured by DCMS. CPO Notice 2012.07 was issued on February 10, 2014, which provides language to be included in solicitations and contracts that may be paid for with federal funds. The CPO Notice states the certification language must be included in all statewide master contracts. DHFS will develop a mechanism to ensure the SAM is checked for those vendors procured by DCMS prior to the CPO Notice.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 (\$133,382,000)
93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-024 *Failure to Report Subaward Information Required by FFATA*

DHFS did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Child Support Enforcement (Child Support) and Medicaid Cluster programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork, we noted DHFS did not report information required by FFATA for subawards made to subrecipients of the Child Support and Medicaid Cluster programs during the year ended June 30, 2014. Federal awards passed through to subrecipients of the Child Support and Medicaid Cluster programs subject to FFATA reporting requirements totaled \$17,392,000 and \$54,880,000, respectively, for the year ended June 30, 2014.

According to 2 CFR 170, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures (1) to identify awards subject to FFATA, (2) to obtain subrecipient DUNS numbers prior to awarding federal financial assistance to subrecipients, and (3) to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with DHFS officials, they stated technical issues with the fhrs.gov website prevented them from reporting all sub-awards.

Failure to identify awards subject to FFATA and to report subaward in accordance with FFATA results in noncompliance with federal regulations. Additionally, failure to obtain subrecipient DUNS numbers inhibits the State's ability to meet its reporting requirements under FFATA. (Finding Code 2014-024, 2013-022, 12-27, 11-36)

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Recommendation:

We recommend DHFS establish procedures to: (1) identify awards subject to FFATA reporting requirements, (2) obtain subrecipient DUNS numbers, and (3) report required subaward information in accordance with the FFATA.

DHFS Response:

The Department accepts the recommendation. The Department experienced difficulty uploading the subrecipient's data due to an issue with congressional district codes and DUNS numbers information. We believe the technical issues with reporting have been resolved.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659/93.659ARRA (\$78,026,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-025 *Failure to Properly Document or Execute Adoption Assistance Agreements*

DCFS made recurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements.

The adoption assistance program provides funds to States for benefit payments to 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. The agreement must be executed prior to the finalization of the adoption.

During our testwork of adoption assistance beneficiary payments, we reviewed 50 case files and related benefit payments (totaling \$31,099) for compliance with eligibility requirements and allowability of related benefits. We noted two beneficiary assistance subsidy payments sampled were greater than the subsidy amounts documented in the approved adoption assistance agreements. The sampled payments were \$775.90 and \$1,013.18; whereas, the payment amounts in the approved adoption agreement were \$775 and \$1,013. The case records did not contain documentation supporting another amount had been agreed to by the State and adopting parents. Assistance subsidy payments for these beneficiaries during the year ended June 30, 2014 were \$21,468.96, resulting in an overpayment of \$12.96 during the year ended June 30, 2014.

Total assistance subsidy payments on behalf of program beneficiaries were \$65,290,423 during the year ended June 30, 2014.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 675(3), the agreement for the subsidy must contain information concerning the nature and amount of payments to be provided and be signed and in effect prior to the final adoption decree. According to 42 USC 673 (a)(3), the amount of the payments to be made...shall be determined through agreement between the adoptive parents and the State...which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted

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periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adoption assistance subsidy payments are consistent with approved adoption assistance agreements or changes are documented and approved by the State and adoptive parents.

In discussing these conditions with DCFS officials, they stated the rates actually paid are correct since they were the rates in place and in the payment system when the children were last paid while in foster care and that the amounts were rounded (cents dropped) when the agreements were manually prepared.

Failure to maintain case file documentation, including documentation support changes in the amount of the subsidy paid, may result in payments to ineligible beneficiaries, which are unallowable costs. (Finding Code 2014-025)

Recommendation:

We recommend DCFS implement procedures to ensure adoption assistance subsidy payments are consistent with the approved subsidy payment amount in the adoption assistance agreement.

DCFS Response:

Accepted. The two involved cases each had differences that totaled less than one dollar. This may represent a rounding error. Additionally, these cases predate the procedural changes in the adoption assistance agreements. In the last several years, the Department implemented the CFS 1800-P in which rates are verified before being recorded in the agreement. The Department also established a quality review process in which the rate entered in the system at case opening is compared to the subsidy agreement.

Additionally, the Department will modify the agreements of the two adoptive children noted above.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Promoting Safe and Stable Families
Child Welfare Services – State Grants
Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.556 (\$29,303,000)
93.645 (\$4,961,000)
93.658/93.658ARRA (\$184,649,000)
93.659/93.659ARRA (\$78,026,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-026 Inaccurate Reporting of Federal Expenditures

DCFS did not accurately report Federal expenditures under the Promoting Safe and Stable Families, Child Welfare Services – State Grants, Foster Care – Title IV-E, and the Adoption Assistance programs.

DCFS inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following adjustments were made to SEFA expenditures reported for the year ended June 30, 2014:

Program	Amounts Reported on the SEFA	Amounts per DCFS' Records	Difference
Promoting Safe and Stable Families	\$29,303,000	\$16,155,000	\$13,148,000
Child Welfare Services – State Grants	4,961,000	10,166,000	(5,205,000)
Foster Care – Title IV-E	184,649,000	190,272,000	(5,623,000)
Adoption Assistance	78,026,000	84,695,000	(6,669,000)

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. According to 2 CFR 176.210(b), ARRA funded expenditures are required to be separately identified on the SEFA and in the Data Collection Form. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with DCFS officials, they stated the Department initiated a new procedure in fiscal year 2014 to reconcile federal receivables and expenditure schedules for each program and adjustments to beginning balances were necessary for differences that occurred in prior years.

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Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-026)

Recommendation:

We recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

DCFS Response:

The Department agrees. The Department changed its procedure in fiscal year 2014 after the initial SEFA was submitted and reconciled the expenditures with federal receivables and beginning balances, by program, and, as a result, the adjustments were absorbed in the current year. New procedures have been established to perform the reconciliation on a regular schedule.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658/93.658ARRA (\$184,649,000)
93.659/93.659ARRA (\$78,026,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-027 *Inadequate Process for Reconciling Cash Balances to IOC's Records*

DCFS does not have an adequate process to reconcile its cash balances to the records of the Illinois Office of the Comptroller (IOC).

DCFS is the state agency responsible for expending program funds and requesting federal cash reimbursement for expenditures under the Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs. The IOC is the official record keeper of the State and is responsible for paying vouchers processed by DCFS and other state agencies. DCFS is required to reconcile its records to the IOC records on a monthly basis and resolve any reconciling items on a timely basis.

During our testwork over the monthly cash reconciliation process, we noted DCFS had not completely reconciled its records to those of the IOC on a monthly basis. Specifically, we noted the following unreconciled differences that were not explained by DCFS:

Month	Cash Balance per DCFS Records	Cash Balance per IOC Records	Reconciled Items, net	Unreconciled Difference, net
January 2014	\$45,486,623	\$45,641,441	\$123,069	\$31,749
February 2014	20,241,319	22,332,665	2,091,348	(2)
March 2014	32,892,963	33,560,292	726,535	(59,206)
April 2014	35,056,582	34,705,321	(282,356)	(68,905)
May 2014	25,791,546	26,454,183	765,834	(103,197)
June 2014	30,263,999	30,695,315	530,033	(98,717)

Additionally, we noted supervisory reviews were not performed of these reconciliations.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring that: (1) cash reconciliations are performed to an appropriate level of precision, (2) all reconciling items are adequately explained, and (3) supervisory reviews are performed and documented.

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In discussing these conditions with DCFS officials, they stated the Department has a procedure to regularly reconcile the accounts and has been investigating differences identified through that process.

Failure to appropriately reconcile cash records may result in inaccurate financial reporting and drawing federal funds in excess of expenditures incurred. (Finding Code 2014-027)

Recommendation:

We recommend DCFS implement procedures to ensure: (1) reconciliations are performed to an appropriate level of precision, (2) all reconciling items are researched and resolved, and (3) supervisory reviews are performed and documented.

DCFS Response:

The Department agrees with the recommendation and plans to review, change, and implement procedures necessary to make sure the monthly reconciliations are complete, accurate, and reviewed; and retrain individuals on the duties and responsibilities for the tasks. The preparer and the reviewer will be required to sign off on the reconciliations and maintain them for an appropriate period.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Welfare Services – State Grants

CFDA # and Program Expenditures: 93.645 (\$4,961,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-028 *Failure to Ensure Timely Preparation of Initial Case Plans*

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS's written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS's plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS's plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information.

During a review of 40 case files selected for testwork, we noted four of the initial case plans were completed within a range of 5 to 82 days over the 60-day federal requirement.

According to 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. Per State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable time frame as 45 days.

In discussing these conditions with DCFS officials, they stated timely preparation of case plans is always a concern. Unfortunately, due to staff changes and reductions, placement changes, and coordination with other internal agency procedures and agencies including law enforcement, there are times when case plans are not completed within the established time frames; however, service delivery is not delayed just because a service plan has not been formally written. Services are put in place regardless of whether there is a written service plan; a plan is finalized/completed only when all input is made to the document.

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law. (Finding Code 2014-028, 2013-028, 12-38, 11-46, 10-42, 09-39, 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

Recommendation:

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal requirements.

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DCFS Response:

The Department continues to make improvements in timely preparation of initial case plans. While DCFS was found to be out of compliance, this recent finding was applicable to only four cases. This improvement is a result of a corrective action plan that was implemented to more closely monitor and to employ system updates that include the development of the performance-based contracting dashboard. The Department anticipates continued improvement in this area.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.558 (\$583,942,000)
93.658/93.658ARRA (\$184,649,000)
93.659/93.659ARRA (\$78,026,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-029 *Inadequate Controls over Information Systems*

DCFS does not have controls over systems used to document beneficiary eligibility determinations or to record program expenditures.

DCFS utilizes a federal claiming system to determine which expenditures can be claimed under the various federal programs. The system queries the general ledger and eligibility database in order to match expenditures to a beneficiary. Based on the eligibility of the beneficiary, the expenditure is further analyzed by the claiming system for allowability under the federal program for which the beneficiary is eligible. The claiming system applies the applicable eligibility percentage to the expenditure established for the program. Reports generated from the system are used to calculate the amount of expenditures claimable for federal reimbursement and to prepare the quarterly claim reports.

During our testwork, we noted DCFS was not able to generate a list of changes made to its information systems directly from each application. DCFS was able to provide a list of changes from the mainframe source control library and from the database used to track system changes; however, DCFS could not reconcile the changes on these two listings. Accordingly, we were unable to determine whether the lists of system changes provided by DCFS during our audit were complete.

In addition, we noted DCFS does not have procedures in place to review access rights for users at provider organizations who have been contracted to assist DCFS in performing and documenting case work. DCFS's IT policies do not currently address users with organizations outside of DCFS.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with DCFS officials, they stated the Department has the ability to manually generate, upon request, a list of programs that were changed and any selected detail requested.

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Failure to adequately control the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2014-029, 2013-029, 12-40)

Recommendation:

We recommend DCFS implement procedures to ensure access to its information systems is adequately secured and to generate a complete list of program changes from its information systems and applications. Additionally, we recommend DCFS addresses processes relative to users employed by provider organizations.

DCFS Response:

Accepted. The Department will change its process to store the program move sheet information in a database instead of maintaining it in a folder of PDFs. The Department will then programmatically compare loadlib (executable code) changes with the documentation.

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State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658/93.658ARRA (\$184,649,000)
93.659/93.659ARRA (\$78,026,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-030 Untimely Reporting of Subawards in Accordance with FFATA

DCFS did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs within required time frames.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 for federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. This information is required to be submitted no later than the last day of the month following the month in which the subaward or modification was made.

DCFS awards contracts to providers of the Foster Care and Adoption Assistance programs on an annual basis. The amounts to be paid under each federal and state program covered by these contracts are estimated based upon the provider's expected caseload, historical performance, and other factors. During our testwork over the FFATA reporting requirements, we noted DCFS's process for reporting subaward information required by FFATA does not allow for compliance with federal regulations. Specifically, we noted DCFS submits information required by FFATA on a quarterly basis after the submission of the quarterly claims for the Foster Care and Adoption Assistance programs, rather than by the last day of the month following the month of the subaward.

Payments made to providers under the Foster Care and Adoption Assistance programs totaled \$49,270,053 and \$8,337,325, respectively, during the year ended June 30, 2014.

According to 2 CFR 170.330, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000 by the end of the month following the month of the award. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA and amounts reported agree to the State's records.

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In discussing these conditions with DCFS officials, they stated guidance on the reporting requirements relative to the Foster Care and Adoption Assistance programs has not been clear. Because these awards are posted quarterly versus annually on the reporting system by USDHHS and amounts to be claimed for reimbursement are only known after the completion of the respective quarter, DCFS reports each quarter after the claim has been determined. DCFS is unable to report contract obligations made for the entire year at the start of each fiscal since they are based on state funded appropriations not federal awards of which only a portion may be federally reimbursed after the service has been provided, paid for, and federally claimed.

Failure to accurately report subawards in a timely manner in accordance with FFATA inhibits the ability of USDHHS to properly monitor and evaluate the performance of the programs. (Finding Code 2014-030, 2013-027, 12-37)

Recommendation:

We recommend DCFS implement procedures to ensure subawards are accurately reported within time frames required by FFATA.

DCFS Response:

The Department agrees that information required by the FFATA should be reported and will continue to seek direction from the federal government of how best to meet their expectations. Additionally, the Department will inform the auditor as more information on reporting requirements becomes available to arrive at consistent reporting criteria and continue discussions each year. While the Department is reporting actual expenditures after filing a claim, which is our best estimate of the quarterly obligations, we will continue to seek a method whereby we would be able to report obligations within the time limits required by FFATA.

The federal agency posts DCFS Foster Care and Adoption Assistance awards quarterly (after the awards are made) and we can only report for the subawards after the federal awards are posted on the reporting system (the data in the FFATA system is pre-populated only when the federal agency posts the awards). According to the FSRS Awardee Guide, "In order for you to file a FFATA subaward report against your grant (or contract), your Federal grant making official must report your prime grant award information through their FAADS . . . the FAADS submission is the authoritative source for the basis grant award information used to pre-populate many of the prime award details in your FFATA report."

If the Department were to report the Department's obligation to providers for each contract at the beginning of our fiscal year, the federal agency will need to post the awards on the website for us at the start of the fiscal year. Additionally, the FFATA only requires the reporting of obligations; it does not require reporting of expenditures. The federal awards we receive each quarter are the reimbursements for Foster Care and Adoption Assistance program expenditures.

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State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Public Health Emergency Preparedness
Centers for Disease Control and Prevention – Investigations and Technical Assistance
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.069 (\$2,423,000)
93.283 (\$9,877,000)
93.917 (\$36,937,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-031 *Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit Reports*

IDPH does not have an adequate process for ensuring audit reports comply with OMB Circular A-133 requirements for subrecipients of the Public Health Emergency Preparedness (PHEP), Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC Investigations and Technical Assistance), and HIV Care Formula Grants programs.

IDPH requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDPH finance staff 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 IDPH records; and (3) Type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

During our testwork over 8 subrecipients (2 for PHEP, 3 for CDC Investigations and Technical Assistance and 3 for HIV Care Formula Grants) of the PHEP, CDC Investigations and Technical Assistance, and HIV Care Formula Grants program with expenditures totaling \$1,828,402, \$3,877,667, and \$27,519,971, respectively, during the year ended June 30, 2014, we noted a standard desk review checklist was not used to document the review of subrecipient A-133 reports received from subrecipients to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to IDPH records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years.

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Subrecipient expenditures under the federal programs for the year ended June 30, 2014 were as follows:

Program	Total Fiscal Year 2014 Subrecipient Expenditures	Total Fiscal Year 2014 Program Expenditures	Percentage
Public Health Emergency Preparedness	\$1,584,000	\$2,423,000	65.4%
CDC Investigations and Technical Assistance	4,975,000	9,877,000	50.4%
HIV Care Formula Grants	7,389,000	36,937,000	20.0%

According to OMB Circular A-133 §___.400(d), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2014, a pass-through entity is required to (1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period, (2) issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and (3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDPH officials, they stated, due to shortage of qualified audit staff, the Department is currently limited in its ability to fully meet these requirements.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2014-031, 2013-032, 12-45, 11-51, 10-49, 09-44, 08-48, 07-45, 06-46, 05-56)

Recommendation:

We recommend IDPH establish procedures to formally document desk reviews of A-133 audit reports using an A-133 desk review checklist, which includes procedures to determine whether the audit reports meet the requirements of OMB Circular A-133, federal funds reported in the SEFA reconcile to IDPH records, and Type A programs are audited at least once every three years.

IDPH Response:

The Department concurs with the finding and recommendation. The Department continues to ensure all subrecipients expending \$500,000 in federal funds send in the appropriate audit reports within the nine-month time frame from the end of the subrecipient’s fiscal year. Audit reports are reviewed for compliance, findings, management letters, repeat findings, and corrective action plans. With the passage of House Bill 2747 (Grants Accountability and Transparency Act), the State will be the first state to adopt a

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comprehensive and consistent set of rules covering subrecipients. We are waiting on A-133 guidance from the Governor's Office of Management and Budget, who is charged with the implementation of HB2747.

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State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
CFDA # and Program Expenditures: 93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-032 *Failure to Investigate Provider Complaints within Required Time Frames*

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required time frames.

The Office of Health Care within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within seven days of receipt. As the time frames for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State time frames are required to be followed.

During our testwork of 40 complaints filed against Medicaid providers during the year ended June 30, 2014, we identified 13 complaints that were not investigated within the time frames required by the State's law. The delays in investigating these complaints ranged from 4 to 322 days in excess of required time frames.

According to Section 5010 of the Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are at least as stringent as those included in federal regulations. Additionally, the Nursing Home Care Act (210 ILCS 45/3-702(d)) requires complaints to be investigated within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt.

In discussing these conditions with IDPH officials they stated, due to hiring delays and the necessary mandated training of newly hired staff, some complaints are not being investigated within the necessary time frames.

Failure to investigate complaints against Medicaid providers within required time frames may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries. (Finding Code 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

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Recommendation:

We recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the time frames required by State law.

IDPH Response:

The Department concurs with the finding and recommendation. The Office of Health Care Regulation continues to actively allocate increased resources (surveyors) to ensure timely completion of all complaints. Surveyors are shared between regions to assist, when necessary, to meet required time frames. Complaints are routinely tracked to monitor progress. As of February 1, 2015, 24 additional surveyors have been hired since the last updated audit response. The Department has subsequently reduced the backlog of complaints.

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State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
CFDA # and Program Expenditures: 93.775/93.777/93.778 (\$9,349,285,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-033 *Inadequate Procedures to Verify Provider Licenses*

IDPH does not have adequate procedures to verify medical providers are properly licensed in accordance with applicable State laws.

During our testwork over the licensing of 44 providers of the Medicaid Cluster program for the year ended June 30, 2014, we noted licenses were not on file for three providers sampled. Upon further review with IDPH personnel, we noted these providers were end-stage renal disease facilities and IDPH stated this provider type was not required to be licensed. The Centers for Medicare and Medicaid Services (CMS) State Operations Manual for End-Stage Renal Disease Facilities section 405.2135 requires these facilities to be licensed if State law provides for the licensure of such facilities. The Illinois End-Stage Renal Disease (ESRD) Facility Act (210 ILCS 62/10) states that no person shall open, manage, conduct, offer, maintain, or advertise an end-stage renal disease facility without a valid license issued by the State.

Payments to these providers under the Medicaid Cluster totaled \$5,042,494,361 during the year ended June 30, 2014. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled \$26,376,789 during the year ended June 30, 2014.

According to 42 CFR 455.412, IDPH is required to have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State and to confirm that the provider's license has not expired and that there are no current limitations on the provider's license. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

In discussing these conditions with IDPH officials, they stated, due to delays in convening the ESRD advisory board and the complexity of writing rules for ESRD facilities, rules are not yet completed.

Failure to verify that providers have met the State licensing requirements directly with licensing agencies inhibits the State's ability to determine provider eligibility and could result in payments being made to ineligible providers, which are unallowable. (Finding Code 2014-033, 2013-036, 12-48, 11-55)

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Recommendation:

We recommend IDPH implement policies and procedures to verify providers have met the State licensing requirements directly with licensing agencies upon enrollment and on a periodic basis.

IDPH Response:

The Department concurs with the finding and recommendation. The ESRD advisory board met on November 18, 2014 and made revisions to the final draft regulations. The Committee had one section of the regulations that needed to be revised and will be reviewed for final recommendation at the next meeting on April 14, 2015. Upon the Advisory Board's recommendation, the rules will be submitted to the State Board of Health and then published for first public comment.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-034 *Inadequate Supporting Documentation for Payroll Costs*

Adequate supporting documentation does not exist to substantiate payroll costs claimed for federal reimbursement under the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

During our testing of 25 payroll expenditures (totaling \$88,867) charged to the ACA Exchanges program during the year ended June 30, 2014, we noted IDOI was unable to provide certifications or timesheets for the sampled expenditures. Upon further investigation, we noted IDOI does not obtain certifications from employees who work solely on the ACA Exchanges program to verify they spent 100% of their time on the federal program. We also noted IDOI did not maintain timesheets detailing activity related to federal programs for hourly employees whose time was charged to the ACA Exchanges program.

In addition, we noted IDOI could not locate the standard forms (CMS-2 forms) used to document annual salary amounts for 5 of the 25 payroll expenditures sampled totaling \$35,503. The CMS-2 form is also used to document approval of the salary amount, as well as the position code and cost center to which each employee is assigned.

Total payroll costs charged to the ACA Exchanges program for the fiscal year ended June 30, 2014 were \$20,387,000.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented.

OMB Circular A-87, Attachment B, Item 8(h)(3) requires that if an employee works solely on one federal program and 100% of their salary or wages are charged to the program, the State must obtain a certification from the employee or their direct supervisor that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months. OMB Circular A-87, Attachment B, Item 8(h)(4) and (5) requires that if an employee works on multiple activities or cost objectives, the distribution of their salaries or wages must be supported by personnel activity reports. The personnel activity report must reflect an after the fact determination, account for total activity of the employee, be prepared at least monthly, and be signed by the employee.

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Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required documentation is obtained to support payroll charges and to maintain documentation evidencing management approval of payroll information.

In discussing these conditions with IDOI officials, they stated employees were hired as immediate staff of the Governor, and CMS-2 forms were not deemed necessary. With regard to OMB Circular A-87, Attachment B, Item 8(h)(4) and (5), first-time staff on the project followed explicit reporting requirements from the Center for Consumer Information and Insurance Oversight (CCIIO), which did not include mention of certification requirements. Thus, staff was not aware of requirement.

Inadequate documentation of payroll costs may result in the federal funds being expended for unallowable purposes. (Finding Code 2014-034)

Recommendation:

We recommend IDOI implement procedures to properly document payroll costs in accordance with the applicable program guidance.

IDOI Response:

Get Covered Illinois employees that were hired as immediate staff of the Office of Governor and are considered double-exempt employees. Per 20 ILCS 415/4c (6), employees on the immediate staff of the Governor are exempt from jurisdictions A, B, and C of the State Personnel Code. This means their hiring falls outside the jurisdiction of the Department of Central Management Services (DCMS). Therefore, forms such as CMS-2 forms were not deemed necessary for their employment or payment of salary. Still, payroll amounts were set in intergovernmental agreements as shared with the auditors. Timesheets were also made available to the auditors, and current reports for the auditors from the electronic KRONOS timekeeping system can be produced but were never requested. Additionally, Get Covered Illinois complied with all federal reporting standards as requested by CCIIO. The only time at which CCIIO requested report of the percentage of employee time dedicated to the grant was in the Department's grant application which included a proposed budget and work plan. CCIIO has previously deemed its acceptance of the Department's proposed budget and work plan sufficient for operation of Get Covered Illinois.

Auditors' Comment:

As noted in the finding above, timesheets provided during the audit did not meet the time and effort reporting requirements of OMB Circular A-87. In the Agency Exit Conference, IDOI stated they had information to support IDOI's compliance with OMB Circular A-87, but, despite follow-up requests by the auditor, no such information was ever provided to the auditors.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: \$6,826,965

Finding 2014-035 *Unallowable Costs Charged to the ACA Exchanges Program*

IDOI could not provide supporting documentation for certain costs charged to the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

During our testing of 40 contractual expenditures (totaling \$19,312,719) charged to the ACA Exchanges program during the year ended June 30, 2014, we noted IDOI was unable to provide invoices or other supporting documentation to substantiate 2 contractual expenditures (totaling \$39,513). In addition, we noted IDOI could not provide supporting documentation for three reimbursements made to the Department of Healthcare and Family Services (DHFS) for the State's integrated eligibility system project (totaling \$6,787,452).

Total contractual expenditures charged to the ACA Exchanges program for the fiscal year ended June 30, 2014 were \$20,529,000. Total reimbursements made to DHFS for the State's integrated eligibility system project during the year ended June 30, 2014 were \$6,787,452.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required documentation is obtained for all program expenditures.

In discussing these conditions with IDOI officials, they stated this was due to staffing limitations and the lack of adequate staff to perform these responsibilities.

Inadequate documentation of program costs may result in the federal funds being expended for unallowable purposes. (Finding Code 2014-035)

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Recommendation:

We recommend IDOI implement procedures to properly document program costs in accordance with the applicable program guidance.

IDOI Response:

During the first year of the Illinois Health Insurance Marketplace (fiscal year 2014), the financial division of the program was composed of only one employee, and additional staff was not available for review of expenditures. The Department has since proposed a process of review with staff in the Illinois Health Insurance Marketplace to ensure thorough review of potential expenses to the program.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-036 *Inadequate Subrecipient Monitoring Procedures for ACA Exchanges Program*

IDOI has not established adequate subrecipient monitoring procedures for the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

IDOI passes through ACA Exchanges funding to organizations who assist in enrolling individuals for health insurance (subrecipients). As the Illinois Department of Public Health (IDPH) has existing relationships with the ACA Exchanges subrecipients, IDOI has executed an interagency agreement with IDPH to monitor its subrecipients. However, during our testwork, we noted findings identified by IDPH during reviews of expenditure reports and on-site reviews were not formally communicated to any of the 25 subrecipients tested by either IDPH or IDOI. Additionally, IDOI does not have appropriate procedures in place to monitor IDPH's activities related to the intragovernmental agreement.

Amounts passed through to subrecipients under the ACA Exchanges program during the year ended June 30, 2014 were \$16,308,000.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure results of monitoring procedures are formally communicated to subrecipients.

In discussing these conditions with IDOI officials, they stated this was due to staffing limitations and the lack of adequate staff to perform these responsibilities.

Failure to communicate the results of monitoring procedures could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2014-036)

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Recommendation:

We recommend IDOI establish procedures to formally monitor IDPH and communicate the results of monitoring reviews performed for ACA Exchanges program subrecipients.

IDOI Response:

The Department relies on staff at the Illinois Department of Public Health in order to review and monitor these costs. A team dedicated to Get Covered Illinois was established at the Department of Public Health in order to complete all necessary monitoring.

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State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-037 *Failure to Draw Funds Only for Immediate Cash Needs*

IDOI did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 40 expenditures (totaling \$19,312,719) funded under the advanced basis related to the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program, we noted warrants were not issued for 22 expenditure vouchers (totaling \$16,732,462) within three business days of receiving federal funds to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 4 to 31 business days.

Total contractual service expenditures for the ACA Exchanges program administered by IDOI were \$20,529,000 during the year ended June 30, 2014.

According to 45 CFR 92.21(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than \$68,799,000 in expenditures follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

In discussing these conditions with IDOI officials, they stated this was due to staffing limitations and the lack of adequate staff to perform these responsibilities.

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government. (Finding Code 2014-037)

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For the Year Ended June 30, 2014

Recommendation:

We recommend IDOI implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

IDOI Response:

During the first year of the Illinois Health Insurance Marketplace (fiscal year 2014), the financial division of the program was composed of only one employee, and additional staff was not available to draw down funds. The Department has proposed revised strategies to meet the three-day timeline.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-038 *Failure to Obtain Suspension and Debarment Certifications from Subrecipients*

IDOI did not obtain required certifications that subrecipients were not suspended or debarred from participation in Federal assistance programs for the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

During our review of 8 subrecipients of the ACA Exchanges program, we noted certifications were not obtained from 8 subrecipients to indicate whether or not these organizations were suspended or debarred from participation in Federal assistance programs. Additionally, IDOI did not perform a verification check of the System for Award Management (SAM) maintained by the U.S. Government.

Payments to subrecipients under the ACA Exchanges program totaled \$16,308,000 during the year ended June 30, 2014.

According to 45 CFR 74.13, subawards and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in the Federal assistance programs or activities under Executive Order 12549 and 12689, "Debarment and Suspension," are prohibited.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are obtained or a check of SAM is performed.

In discussing these conditions with IDOI officials, they stated this was due to staffing limitations and the lack of adequate staff to perform these responsibilities.

Failure to obtain suspension and debarment certifications or check EPLS could result in the awarding of Federal funds to subrecipients that are suspended or debarred or otherwise excluded from participation in Federal assistance programs. (Finding Code 2014-038)

Recommendation:

We recommend IDOI establish procedures to ensure that subrecipients are not suspended or debarred or otherwise excluded from participation in Federal assistance programs.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

IDOI Response:

Subrecipients were not asked of their suspension or debarment from federal programs under State Fiscal Year (SFY) 2014's grant program. The granting agencies were not aware of the requirement and did not include this information in the application or grant agreement. All SFY 2015 subrecipients have completed suspension and debarment attestations.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-039 *Inaccurate ACA Exchanges Financial Reports*

IDOI did not prepare accurate financial reports for the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

IDOI is required to prepare financial status (SF-425) reports on a quarterly basis for the ACA Exchanges program. During our testwork of two SF-425 reports, we noted IDOI incorrectly reported the cash disbursements (line 10b) for the quarters ended September 30, 2013 and March 31, 2014, as follows:

Quarter Ended	Report Line Item	Reported Amount	Actual Amount	Difference
September 30, 2013	Cash disbursements	\$7,882,326	\$7,914,251	\$31,925
March 31, 2014	Cash disbursements	13,249,748	9,075,662	4,174,086

IDOI could not demonstrate how the information reported agreed or reconciled to its financial records. Further, IDOI does not have a process in place regarding review of its reports. Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDOI personnel are accurate. Specifically, we noted IDOI does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to 45 CFR 92.41, IDOI is required to submit quarterly financial status reports (known as SF-425 reports) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

In discussing these conditions with IDOI officials, they stated this was due to staffing limitations and the lack of adequate staff to perform these responsibilities.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Failure to accurately prepare and review financial reports prevents the USDHHS from effectively monitoring the ACA Exchanges program. (Finding Code 2014-039)

Recommendation:

We recommend IDOI review the process and procedures in place to prepare financial reports required for the ACA Exchanges program and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records.

IDOI Response:

During the first year of the Illinois Health Insurance Marketplace (fiscal year 2014), the financial division of the program was composed of only one employee, and additional staff was not available for review of reports. The Department has since proposed a process of review with staff in the Illinois Health Insurance Marketplace to ensure the consistency of financial reporting until or unless the program is able to hire additional financial staff.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Insurance (IDOI)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 (\$46,491,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-040 *Failure to Report Subaward Information Required by FFATA*

IDOI did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork, we noted IDOI did not report information required by FFATA for subawards made to subrecipients of the ACA Exchanges program during the year ended June 30, 2014. Additionally, we noted IDOI did not obtain DUNS numbers for any of its subrecipients prior to issuing subawards.

Federal awards passed through to subrecipients of the ACA Exchanges program subject to FFATA reporting requirements totaled \$16,308,000 for the year ended June 30, 2014.

According to 2 CFR 170, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000 no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/modification was made. According to 2 CFR 25 Appendix A (B)(2), the State may not make a subaward to an entity unless the entity has provided its DUNS number.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA and required information is obtained from subrecipients prior to executing subawards.

In discussing these conditions with IDOI officials, they stated first-time staff on the project followed explicit reporting requirements from the Center for Consumer Information and Insurance Oversight (CCIIO), which did not include mention of requirement. Thus, staff was not aware of requirement.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Failure to identify and report subawards subject to FFATA and obtain DUNS numbers prior to executing subawards results in noncompliance with federal regulations. (Finding Code 2014-040)

Recommendation:

We recommend IDOI implement procedures to identify and report awards subject to FFATA reporting requirements and obtain subrecipient DUNS numbers prior to executing subawards.

IDOI Response:

The Department was not made aware of FFATA reporting during fiscal year 2014 and is working with federal counterparts to fulfill all necessary reporting requirements.

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For the Year Ended June 30, 2014

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
 Child and Adult Care Food Program
 Title I Grants to Local Educational Agencies
 Special Education Cluster (IDEA)
 Twenty-First Century Community Learning Centers
 Improving Teacher Quality State Grants
 School Improvement Grants Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 (\$658,527,000)
 10.558 (\$136,077,000)
 84.010 (\$728,931,000)
 84.027/84.173 (\$526,753,000)
 84.287 (\$51,680,000)
 84.367 (\$114,727,000)
 84.377/84.388ARRA (\$53,550,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-041 *Inaccurate Reporting of Federal Expenditures*

ISBE did not accurately report Federal expenditures under the Child Nutrition Cluster (CNC); Child and Adult Care Food Program (CACFP); Title I Grants to Local Educational Agencies (Title I); Special Education (Special Ed) Cluster; Twenty-First Century Community Learning Centers (21st Century); Improving Teacher Quality State Grants (Title II); and School Improvements Grant Cluster (SIG) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) did not agree to ISBE's financial records. Specifically, we noted the following differences for the year ended June 30, 2014:

Program	Federal Expenditures Reported on the Initial SEFA	Federal Expenditures per ISBE's Records	Difference
CNC	\$656,947,000	\$657,075,000	(\$128,000)
CACFP	136,077,000	136,108,000	(31,000)
Title I	728,931,000	728,312,000	619,000
Special Ed Cluster	526,753,000	526,660,000	93,000
21 st Century	51,680,000	51,777,000	(97,000)
Title II	112,258,000	112,256,000	2,000
SIG	53,550,000	53,760,000	(210,000)

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Upon further investigation, we noted the differences identified above primarily relate to prior period adjustments to receivables and deferred revenue which should not be reflected in current year cash basis expenditures.

Although the differences identified in the table above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA in qualitative terms could occur and not be detected by the State.

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

In discussing this with ISBE officials, they stated the federal expenditures reported to the statewide single auditors did include prior period adjustments to receivables and deferred revenue and, therefore, did not represent cash basis expenditures and should not have been included on the SEFA for the statewide single audit.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-041)

Recommendation:

We recommend ISBE establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

ISBE Response:

The Agency agrees with this finding. The Agency will continue to follow procedures outlined in the Statewide Accounting Management System (SAMS) Manual when compiling data for the preparation of the SEFA for the IOC. In addition, the Agency will prepare and submit a SEFA based on cash basis expenditures to the statewide single auditors that meet their reporting requirements.

ISBE is required to report expenditures of federal funds to the IOC as outlined by procedures in the IOC SAMS Manual. In the process of reporting these expenditures, it was determined that various transactions that occurred during the reporting period were properly included for reporting expenditures to the IOC, but should not have been included in reporting the cash basis expenditures on the SEFA. As it has in the past, ISBE followed the SAMS Manual when completing forms SCO-563, SCO-567, and SCO-568, which were later used to prepare ISBE's SEFA and financial statements.

In the current year, it has come to our attention that there appears to be two separate and distinct needs to be met for the Illinois Office of the Auditor General statewide single auditors as compared to its special assistant auditors performing the financial statement audit. ISBE reported federal expenditures to the statewide single auditors on a form provided by the auditors. ISBE also reported federal expenditures to the IOC on forms provided by the IOC. The IOC forms were used by the special assistant auditors to

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For the Year Ended June 30, 2014

perform agreed-upon procedures and to trace and agree the amounts reported on the forms in the SEFA prepared by the Agency. No discrepancies were reported by the special assistant auditors. The IOC forms are also used to report ending receivable and liability balances, as well as revenue and expenditures, for financial statement reporting purposes. In calculating ending balances, changes resulting from refunds or prior year adjustments must be included on the forms and in the accrual basis financial statements. ISBE followed the IOC SAMS Manual guidance in reporting federal expenditures to the statewide single auditors and to the special assistant auditors.

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For the Year Ended June 30, 2014

State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: School Improvement Grants Cluster
CFDA # and Program Expenditures: 84.377/84.388ARRA (\$53,550,000)
Award Numbers: See table of award numbers
Questioned Costs: None
Finding 2014-042 *Inadequate Procedures for Monitoring of Subrecipients*

ISBE did not have an adequate process in place for communicating and following up on monitoring findings for subrecipients of the School Improvement Grants Cluster (SIG Cluster) program.

ISBE's subrecipient monitoring process for the SIG Cluster program includes performing fiscal and programmatic on-site reviews, A-133 audit report desk reviews, external audit reviews, and expenditures report reviews. ISBE has developed standardized monitoring checklists for each of its federal programs which are used by ISBE personnel in performing and documenting on-site reviews.

During our review of monitoring files and checklists prepared for on-site reviews conducted for eight SIG Cluster subrecipients, we noted the following:

- ISBE identified several instances of noncompliance with program requirements which were not formally communicated to its subrecipients in a timely manner and for which corrective action plans were not obtained. Monitoring reports were provided to subrecipients tested from 78 to 197 days after monitoring visits concluded.
- ISBE did not complete the standard monitoring checklist for one SIG Cluster subrecipient.
- ISBE did not document supervisory reviews performed for any of the eight fiscal on-site monitoring reviews tested for subrecipients of the SIG Cluster program.

ISBE passed through approximately \$52,406,000 of federal funding to subrecipients of the SIG Cluster program during the year ended June 30, 2014.

According to OMB Circular A-133 § __.400(d)(3), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to follow up on findings identified during subrecipient reviews prior to reimbursing program expenditures. Effective internal controls should also include procedures to ensure monitoring reports are accurately prepared and communicated to subrecipients in a timely manner and supervisory reviews of on-site monitoring are adequately documented.

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In discussing these conditions with ISBE officials, they stated staffing issues impacted the ability of the division to complete the programmatic monitoring process. The new System of Support and District Intervention Division management understands the importance of fulfilling the monitoring requirements.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2014-042, 2013-037, 12-49)

Recommendation:

We recommend ISBE review its current policies and procedures for monitoring SIG subrecipients to ensure programmatic on-site files are being completed timely and reviewed. Additionally, we recommend ISBE review its process for following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

ISBE Response:

The Agency agrees with this finding. The new System of Support and District Intervention Division administration has established a School Improvement Grant 1003(g) monitoring manual which outlines policies and procedures for monitoring, reporting, and staff follow-up on corrective actions that are currently being implemented in fiscal year 2015.

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For the Year Ended June 30, 2014

- State Agency:** Illinois State Board of Education (ISBE)
- Federal Agency:** U.S. Department of Education (USDE)
- Program Name:** Title I Grants to Local Educational Agencies
- CFDA # and Program Expenditures:** 84.010 (\$728,931,000)
- Award Numbers:** See table of award numbers
- Questioned Costs:** None
- Finding 2014-043** *Inaccurate Special Report for Title I Program*

ISBE did not accurately prepare the State Per Pupil Expenditure Data report for the Title I Grants to Local Educational Agencies (Title I) program.

On an annual basis, ISBE submits its average state per pupil expenditure data to the National Center for Education Statistics (NCES). The data is used by USDE to make funding allocations under several federal programs including the Title I program. The data for this report is collected by ISBE from subrecipient audit reports and is entered into its mainframe data base which aggregates the information.

During our testwork of the State Per Pupil Expenditure Data report prepared by ISBE for the year ended September 30, 2013, we noted the expenditures reported by ISBE relative to the American Recovery and Reinvestment Act of 2009 (ARRA) did not agree to supporting documentation. Specifically, we noted the following differences:

Report Line Item	Reported Amount	Actual Amount	Difference
Current expenditures for public elementary-secondary education instruction (Section 7 ARRA line a.)	\$118,565,280	\$117,059,855	\$1,505,425

According to the grant agreement and 34 CFR 80.40-41, ISBE is required to submit an annual report to the USDE detailing the State’s Per Pupil Expenditure data. This report is to be prepared using valid, reliable supporting data. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data is accurately reported on the State Per Pupil Expenditure Data report.

In discussing these conditions with ISBE officials, they stated NCES / USDE wanted Total Instructional Expenditures for ARRA expenditures reported. Since ISBE does not collect the data in this manner, NCES asked if ISBE could calculate the percentage of total instructional expenditures to all expenditures and use that percentage to determine an instructional expenditure amount for ARRA. When ISBE calculated this percentage, the minor instructional expenditures in the Tort Fund were inadvertently excluded.

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For the Year Ended June 30, 2014

Failure to accurately prepare special reports prevents the USDE from effectively monitoring the Title I program. (Finding Code 2014-043)

Recommendation:

We recommend ISBE review its process to prepare the State Per Pupil Expenditure Data report to ensure the report is complete and accurate.

ISBE Response:

The Agency agrees with this finding. The correct instructional expenditures have been calculated and reported to NCES/USDE. In calculation of this data along with other reports, School Business has begun a quality review process that will ensure the accuracy of reports and data filed with the USDE. No grantees were negatively impacted by the reporting error.

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For the Year Ended June 30, 2014

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Child Nutrition Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 (\$658,527,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-044 *Inaccurate Special Report for Child Nutrition Cluster*

ISBE did not accurately prepare the Report of School Program Operations (FNS-10) report for the Child Nutrition Cluster (CNC) program.

On a monthly basis, ISBE submits information about meals and milk served to students under the CNC Cluster program to the USDA. The data for this report is collected by ISBE on monthly reimbursement requests from subrecipients providing meals and milk to program participants. The USDA uses this information to reimburse ISBE for program costs.

During our testwork of the FNS-10 report prepared by ISBE for the month ended February 28, 2014, we noted certain expenditures reported by ISBE relative to the Special Milk Program did not agree to supporting documentation. Specifically, we noted the following difference:

Report Line Item	Reported Amount	Actual Amount	Difference
Special Milk Program Schools (line 9(a))	\$ -	\$57,403	(\$57,403)

According to 7 CFR 215.11(c)(2), each State agency shall submit to the FNS a final Report of School Program Operations (FNS-10) for each month. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure child nutrition data is accurately reported on the FNS-10 report.

In discussing these conditions with ISBE officials, they stated the error was due to an inadvertent oversight by the staff person who prepared the report.

Failure to accurately prepare special reports prevents the USDA from effectively monitoring the CNC program. (Finding Code 2014-044)

Recommendation:

We recommend ISBE review its process to prepare the FNS-10 report to ensure the report is complete and accurate.

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For the Year Ended June 30, 2014

ISBE Response:

The Agency agrees with this finding. The preparation of the FNS-10 report along with other reports will be subject to a quality review process that will ensure the accuracy of reports filed with the USDA. No grantees were negatively impacted by the reporting error.

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For the Year Ended June 30, 2014

State Agency: Illinois State Board of Education (ISBE)
Federal Agency: U.S. Department of Education (USDE)
Program Name: Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Improving Teacher Quality State Grants

CFDA # and Program Expenditures: 84.010 (\$728,931,000)
84.027/84.173 (\$526,753,000)
84.287 (\$51,680,000)
84.367 (\$114,727,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-045 *Inadequate Process to Report Subaward Information Required by FFATA*

ISBE does not have an adequate process to ensure all subaward information is properly reported as required by the Federal Funding Accountability and Transparency Act (FFATA).

During our review of ISBE's procedures to report subaward information required by FFATA, we noted that ISBE did not report all required information for subawards under the Title I, Part A Cluster (Title I), Special Education Cluster, Twenty-First Century Community Learning Centers (21st Century Learning), and Improving Teacher Quality State Grants (Title II) programs. Specifically, we noted that ISBE did not report the amended amount of the subawards for the Title I, Special Education Cluster, and Title II, programs. In addition, ISBE did not report one subaward for the 21st Century Learning program in the month following the date the subaward was made. As of the date of our testwork (November 25, 2014), ISBE had not identified how many subawards were not reported properly as a result of these errors.

According to 2 CFR 170, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with ISBE officials, they stated their FFATA reporting procedures did not properly address all of the necessary components of the reporting requirements. The Agency is working with the U.S. Department of Education Risk Management Policy team who oversees FFATA reporting to ensure procedures are in place to meet reporting requirements.

Failure to properly identify subawards required to be reported under FFATA inhibits the State's ability to meet its FFATA reporting requirements. (Finding Code 2014-045, 2013-039, 12-52)

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For the Year Ended June 30, 2014

Recommendation:

We recommend ISBE review its process for reporting subaward information required by FFATA and consider any changes necessary to ensure all required subawards are properly reported.

ISBE Response:

The Agency agrees with this finding. ISBE is currently reviewing and amending their process to ensure they are properly collecting and reporting subawards to the FFATA Subaward Reporting System as required by FFATA. No grantees were negatively impacted by the reporting error.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loans Program

CFDA # and Program Expenditures: 84.032G (\$199,979,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 2014-046 Failure to Perform Required Due Diligence Procedures

The Illinois Student Assistance Commission (ISAC) did not perform due diligence procedures required by program regulations.

As the State Guaranty Agency for the Federal Family Education Loan program, ISAC is required to perform specific due diligence procedures for a loan on which it pays a default claim to a lender. Specifically, ISAC is required to send a written notice to the borrower within 45 days of paying a lender's default claim stating the actions that may be taken by ISAC to collect the debt.

During our testwork over 25 defaulted loan accounts sampled (with principal balances totaling \$460,898), we noted one loan (with an outstanding balance of \$18,366) where the required notice was not sent to the borrower within 45 days of paying the lender's claim.

Defaulted loans outstanding totaled \$663,703,741 as of June 30, 2014. Lender claims for defaulted loans paid during the year ended June 30, 2014 totaled \$173,385,215.

According to 34 CFR 682.410(b)(6), a guaranty agency must engage in reasonable and documented collection activities on a loan on which it pays a default claim filed by a lender. For a non-paying borrower, the agency must perform at least one activity every 180 days to collect the debt, locate the borrower (if necessary), or determine if the borrower has the means to repay the debt. Additionally, within 45 days after paying a lender's default claim, the agency must send a notice to the borrower that: (1) advises the borrower of the default status; (2) provides information about the original loan; (3) explains interest provisions, the effect of the default on the borrower's credit report, opportunities and remedies available to the borrower; (4) describes the borrower's rights; and (5) identifies the enforcement actions that the agency may take.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

In discussing these conditions with ISAC officials, they stated the loan in question first came in as a bankruptcy claim, and, after the loan was later repurchased, the system did not reinstate the automated due diligence letters.

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Failure to properly send notification letters within the required time frame may result in ISAC not performing the required collection procedures on defaulted loans in accordance with applicable federal laws and regulations. (Finding Code 2014-046)

Recommendation:

We recommend ISAC implement procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

ISAC Response:

ISAC continues to review accounts to ensure automated due diligence letters are sent to borrowers in a timely manner.

Regarding this borrower, it should be noted that other letters were sent manually by collectors to the borrower so there was not a lapse in contact. This borrower consolidated their loan and it was removed from default in August 2014.

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For the Year Ended June 30, 2014

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loans Program

CFDA # and Program Expenditures: 84.032G (\$199,979,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 2014-047 *Inadequate Process to Verify Unreported Loans*

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loans program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders primarily through an electronic lender manifest (update file) submitted to ISAC on a quarterly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the “presumed paid” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to paid-in-full, and reported as such to the NSLDS.

The second process is called the “unreported loans” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is the bi-annual compliance reviews of the lenders performed by ISAC personnel, in which the status of the unreported loans list is noted.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans (with loan balances totaling \$1,133,707) to confirm the accuracy of the loan information with the lender and noted the following exceptions:

- Confirmations for four loans (with loan balances totaling \$10,595) were returned to the sender. Upon further investigation, ISAC was unable to facilitate locating the respondent.
- Confirmations for five loans (with loan balance totaling \$32,578) were returned identifying differences related to the status of the loan.

The outstanding principal balance on loans guaranteed by ISAC totaled \$4,395,493,188 as of June 30, 2014.

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In accordance with 34 CFR Section 682.404(a), (b), and (c), a guaranty agency shall accurately complete and submit to the Secretary a Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure loan information is properly verified and reported to the NSLDS.

In discussing these conditions with ISAC officials, they stated ISAC recognizes the importance of obtaining accurate and timely data from its lenders. As there is not a federal requirement for lenders to respond to the unreported loans report, ISAC relies on standard business processes with the approval of the USDE to verify unreported loans.

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS. (Finding Code 2014-047, 2013-040, 12-53, 11-60, 10-62, 09-58, 08-64)

Recommendation:

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

ISAC Response:

The following business processes will remain in place to accept changes and updates to loan records:

- ISAC will continue to process monthly lender manifest submissions.
- ISAC will continue its “presumed paid” process which is a method to change the loan status to presumed paid for loans that have been in repayment status for twelve years and that have not been updated through any lender reporting in the past four years.
- ISAC will continue to create the semi-annual unreported loans report as the means for lenders to report changes and updates to loan records.
- ISAC will continue to initiate an unreported loans follow up process with e-message reminders to lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission. The reminders will be sent at regular intervals to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.
- ISAC will continue to participate in the Common Review Initiative (CRI) to conduct the compliance audits of participating lenders. The CRI review process includes verification and determination that the lender/servicer is diligently working unreported loan reports to reduce overall unreported loan rates.

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For the Year Ended June 30, 2014

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loans Program

CFDA # and Program Expenditures: 84.032G (\$199,979,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 2014-048 Failure to Perform Required On-Site Program Compliance Reviews

ISAC did not perform required on-site program reviews of participating schools as required by program regulations.

At a minimum, a State Guaranty Agency is required to perform on-site program compliance reviews on a biennial basis for all Illinois based schools participating in the Federal Family Education Loans (FFEL) Program with cohort default rates greater than 20% in the last two preceding fiscal years. On an annual basis, the USDE publishes the cohort default rates for all participating schools. Upon receipt of the cohort default rate information, ISAC reviews and analyzes the data to identify Illinois-based participating schools that are required to have on-site reviews and schedules the reviews.

During our testwork of the enforcement action special test and provision, we noted ISAC had not performed any reviews for participating schools meeting the review criteria during the year ended June 30, 2014. Based upon the analyses performed by ISAC to identify participating schools meeting the review criteria, we noted the following:

Fiscal Year	Number of Participating Schools Required to be Reviewed	Number of Participating Schools Reviewed as of June 30, 2014	Required Completion Date
2011	2	None	12/31/2012
2012	3	None	12/31/2013

As of the date of our testing (January 15, 2015), ISAC had still not completed any of the required on-site program reviews.

According to 34 CFR section 682.410(c)(1), guaranty agencies are responsible for “conducting comprehensive biennial on-site program reviews [...] of at least (i)(C) each school that participated in the guaranty agency’s program, located in a State for which the guaranty agency is the principal guaranty agency, that has a cohort default rate [...] for either of the two immediately preceding fiscal years [...] that exceeds 20 percent.” In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

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establishing procedures to ensure required on-site program reviews are performed in accordance with program regulations.

In discussing these conditions with ISAC officials, they stated because new loan originations and guarantees in the FFEL programs ceased effective July 1, 2010, ISAC will not be the principal guaranty agency for participating schools after that date.

Failure to perform required biennial reviews may result in participating schools not administering loan programs in accordance with program regulations and results in noncompliance with program regulations. (Finding Code 2014-048, 2013-043)

Recommendation:

We recommend ISAC implement the procedures necessary to ensure required on-site program reviews are performed in accordance with program regulations.

ISAC Response:

ISAC is responsible for the oversight and administration of the ISAC-administered gift assistance programs (State-funded programs), and the FFEL Program guarantee portfolio.

As a result, a single Program Review Schedule is developed each fiscal year to systematically plan for reviews for both the State-funded programs and FFEL schools with ISAC as the principal guaranty agency. The schedule is implemented based on available staff resources and a risk assessment methodology.

The following analysis occurs each year for FFEL schools:

- Participating schools with a cohort default rate that exceeds 20% for either of the most recent years for which rates have been calculated are identified.
- A determination is made to identify ISAC as the principal guaranty agency and identify the number of ISAC guaranteed loans.
- FFEL schools are incorporated into the schedule based on available staff resources.

Of the two schools required to be reviewed in 2011, one of the reviews is completed/closed and the second review is in progress. Of the three schools required to be reviewed in 2012, one of the reviews is completed/closed and the remaining two are in progress.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$2,935,876,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-049 *Failure to Issue Eligibility Determinations within Prescribed Time Frames*

IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with time frames required by the State Plan.

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim appears on a pending issues detail report. The claim is then assigned to a claims adjudicator for resolution. The pending issues detail report monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our testwork, we conducted unannounced site visits to five local offices and requested the most recent pending issues detail report as of the date of our visit. We noted a significant backlog in the resolution status of claims in the adjudication process. Specifically, we noted a total of 292 out of 3,767 claims at the five local offices that were outstanding for greater than 21 days after the detection date.

Additionally, during our review of the fiscal year 2015 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2014, resolving only 50.7% of these determinations within 21 days of the detection date.

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

In discussing these conditions with IDES officials, they stated resource constraints and competing priorities have resulted in a backlog of cases that have not been reviewed or processed in time.

Failure to issue eligibility determinations within prescribed time frames could result in the untimely and/or improper payment of unemployment benefits. (Finding Code 2014-049, 2013-048)

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Recommendation:

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed time frames.

IDES Response:

IDES agrees with this finding. To improve our timeliness measures, IDES has developed a Document Processing Unit whose primary responsibility is to receive and process all incoming documents traditionally received by the field offices. IDES has implemented DATACAP, a system that automatically receives and indexes barcoded documents to the appropriate claimant Electronic Case Folder (ECF). These efforts will process and send associated documents to the ECF in a more efficient manner, will reduce delays in scheduling and will allow for improvement in determination timeliness. IDES continues to expand on IBIS' auto-adjudication capabilities to minimize the need for manually determining cases where no controversy exists. Additionally, IDES has developed an internet processing center to address and expedite all internet claims that do not automatically process in a timely manner. IDES will also continue to improve and expand efforts to centralize the adjudication process.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Employment Service Cluster
Unemployment Insurance

CFDA # and Program Expenditures: 17.207/17.801/17.804 (\$37,746,000)
17.225 (\$2,935,876,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-050 Inaccurate Reporting of Federal Expenditures

IDES did not accurately report Federal expenditures under the Employment Service Cluster and the Unemployment Insurance programs.

IDES inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following differences between amounts provided for audit and SEFA expenditures initially reported to the IOC for the year ended June 30, 2014:

Program	Expenditures Reported on the Final Expenditure Questionnaire	Expenditures Initially Reported to the IOC	Difference
Employment Service Cluster	\$37,413,000	\$36,500,000	\$913,000
Unemployment Insurance	2,935,875,000	2,934,290,000	1,585,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with IDES officials, they stated the difference was due to interpretation of Statewide Accounting Management System (SAMS) Administrative cash expenditures along with the inclusion of lapsed expenditures.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-050, 2013-044)

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Recommendation:

We recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

IDES Response:

IDES agrees with this finding. Procedures will be developed along with reports which document the reconciliation of SAMS Administrative cash expenditures with the internal Administrative Accounting System (AAS).

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State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225 (\$2,935,876,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-051 *Inadequate Process for Preparing Unemployment Insurance Financial Reports*

IDES does not have an adequate process in place to ensure all financial reports prepared for the Unemployment Insurance (UI) program are accurate.

On a quarterly basis, IDES is required to report information on overpayments of intrastate and interstate UI claims under the regular State UI program and under federal UI programs, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Members (UCX) on the *ETA 227 – Overpayment Detection and Recovery Activity* (ETA 227) report. The information required to be reported includes the number and dollar amounts of claims with overpayments during the quarter identifying what caused the overpayment and how it was detected. An aging and reconciliation of outstanding overpayments is also required to be reported.

During our testwork of two quarterly ETA 227 reports, we noted the amounts reported by IDES on nearly all required line items did not agree to the supporting documentation provided by IDES during our audit. Subsequent to our testwork, IDES revised and resubmitted the ETA 227 reports for the quarters ending September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014.

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are accurate. Specifically, we noted IDES does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

According to ET Handbook 401, 4th Edition, IDES is required to submit quarterly overpayment detection and recovery activity reports (known as ETA 227 reports) by the first day of the second month after the quarter of reference. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

In discussing these conditions with IDES officials, they stated discrepancies in the ETA 227 reports were due to interface issues between the Illinois Benefit Information System (IBIS) and the two legacy fraud-detection and overpayment recovery systems.

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Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program. (Finding Code 2014-051)

Recommendation:

We recommend IDES review its procedures for preparing financial reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

IDES Response:

Because of interface issues between IBIS and the two legacy fraud-detection and overpayment recovery systems, IDES has difficulty performing certain cross-matches. Overpayment determinations are not timely and delays result in additional overpayments to accrue. By incorporating these legacy systems into IBIS, IDES will investigate, calculate, and collect more accurate information regarding overpayments and employers' contributions in a more efficient manner. This integration project is scheduled to begin in the second quarter of 2015 and last 18 months. The re-engineering of the ETA 227 reports is included in this integration project.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$2,935,876,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-052 *Inadequate Documentation of Controls over Information Systems*

IDES does not have adequate documentation of the performance of access, program change, and computer operation controls over the information systems that support the Unemployment Insurance (UI) Program.

The information technology systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Wage Information System (WIS)
- The Benefit Funding System (BFS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Telephone Certification System (TCS)
- The Administrative Accounting System (AAS)
- The Benefits Audit and Reporting System (BARTS)

The IBIS is the centrally maintained information system designed to perform and document claimant eligibility determinations, to process claims for unemployment insurance benefits, and to assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. It interfaces with the WIS, which is the system that includes all of the employer wage data and remittance information for the payroll taxes. The BFS includes the employer setup information and the rate calculation process, and the BCS is the system that charges the employment tax rates to the employer accounts. The ORS is designed to detect and report over payments and the BARTS helps direct, determine, and collect UI fraudulent claims. The TCS is used by claimants to certify their continuing eligibility for benefits. The AAS is the accounting software used to process financial accounting records and reports.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel data base. When this job identifies employees who have terminated, the user ID for the individual is removed. Any modification of access must also be approved by the cost center manager through the use of the TSS-006

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Form. It is the cost center manager's responsibility to determine the proper online access for each employee.

During our testwork over the access, program change and development, and computer operations controls of the mainframe system, we noted the following:

- One user who retired had an active RACF ID subsequent to the user's retirement date.
- Twenty-five users' access was terminated more than 15 days after the Payroll termination date.
- One individual has the ability to modify production code and data, as well as the ability to migrate changes into production. As a result, this individual may introduce unintentional changes into production that may not be detected.

In addition, because the IBIS system cannot produce a system generated list of all program changes processed within the system, IDES cannot adequately monitor program changes.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDES officials, they stated they disagree with the finding.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2014-052, 2013-049, 12-59, 11-66)

Recommendation:

We recommend IDES implement procedures to ensure policies and procedures are adequately documented and followed. In addition, we recommend IDES segregate the duties for developing and migrating program changes and perform user access reviews for IBIS and the data center.

IDES Response:

Bullet 1 and 2: IDES has policies and procedures in place specifying that once Human Resources is notified of a staff members retirement or termination, they must notify the Information Service Bureau (ISB) to make the proper updates to those members RACF IDs and Payroll system. We will work to ensure this notification occurs in a more timely manner.

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Bullet 3: IDES policy dictates that forms must be completed by IDES developers and signed off on by senior management for any modifications to be made to the production code. These forms are then submitted to IDES staff who specifically oversees our Library Version Control (LVC) unit. This documentation is filed in our document library for tracking and auditing purposes. Once LVC staff members receive the appropriate paperwork and authorizations, they migrate changes to our production environment. Without access to the group datasets, they would not be able to promote various components to production, nor would they be able to create new development environments, which the developers use to segregate their concurrent changes.

Finally, IBIS system can produce a list of all program changes processed in the system. In fiscal year 2015, IDES began producing a system-generated list of changes to review and ensure that only approved code was promoted. This report is produced and reviewed by management on a monthly basis.

Auditors' Comment:

As noted in the finding above, we identified an exception relative to inappropriate system access for one individual. Although we agree that certain compensating controls are in place, we are required to design our audit to obtain a low-level of control risk. We have evaluated this and the other exceptions discussed above and have determined the exceptions rise to the level of a material weakness based on the criteria in OMB Circular A-133.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 (\$2,935,876,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-053 *Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports*

The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports and the reports did not always indicate that a supervisory review had been performed.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper benefit payment which are distributed to and monitored by personnel at local IDES offices. In accordance with federal program emphasis, several of the common reports reviewed locally are designed to report claims with unresolved issues that are preventing payment as a tool to ensure payments to eligible individuals are made timely. These reports include the following:

- *Certification Batch Reconciliation Report* – This report identifies the batches of paper eligibility certifications entered each day as completed or pending. Batches identified as pending are reviewed, processed, certified, and filed by the local office each day.
- *Appeals Requiring Local Action Report* – This report identifies all appealed claims with a central office action that is in conflict with the initial local office action. These claims are reviewed by the local office to ensure the resulting payment actions are appropriate.
- *TRA modified WBA/DC Report* – This report identifies any changes to a TRA claimant's information and provides the local office with a detailed listing of all manual changes made to the weekly benefit amount (WBA) or dependent information. The case records are reviewed centrally at IDES for claimants identified on this report to ensure appropriate documentation exists to support the changes.
- *List of Pending Adjudication Issues* – This report contains all claim issues that have to be adjudicated. The list is normally worked from the top down because IDES only has 21 days to clear the pending issues.
- *Determination End Date Report* – This report identifies all new claims that were stopped because of an issue that should have been resolved at the time the claim was filed. These claims are reviewed by the local office prior to the first certification to prevent late payments.

During our testwork we noted policies and procedures had not been established relative to the review process and retention time period for the reports identified above.

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We conducted unannounced site visits to five local offices and requested the above claim exception and monitoring reports for the most recent date that had been reviewed by the local office staff. We reviewed a total of 25 reports and noted that resolution of exceptions and supervisory review was not documented and performed on a consistent basis. Specifically, we noted the following:

- Six exception and monitoring reports did not contain evidence of being worked by the local office staff within three days or evidence of a supervisory review.
- Three exception and monitoring reports were worked by local office staff more than three business days after the report date.
- Two exception and monitoring reports requested could not be provided and so inadequate audit evidence existed to allow us to draw a conclusion as to whether the report was worked timely and properly reviewed.

Additionally, during our on-site reviews, we noted IDES only retains claim exception and monitoring reports for a period of three months after the end of a quarter. As such, we were unable to determine whether claim exception and monitoring reports had been worked within three business days or subject to supervisory review prior to April 1, 2014.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate timely follow up and documentation of review of claim exception reports.

In discussing these conditions with IDES officials, they stated updates to their procedures to reflect changes in monitoring the reports and increase the retention period of our business process are needed.

Failure to adequately document resolution of claim and monitoring reports could result in the payment of Unemployment Insurance (UI) benefits to ineligible claimants, which are unallowable costs. (Finding Code 2014-053, 2013-047, 12-60, 11-68, 10-73, 09-65, 08-70, 07-63, 06-62, 05-88)

Recommendation:

We recommend IDES complete and document the resolution of each claim on the exception and monitoring report (including supervisory review) in a timely manner, and retain the reports as considered necessary to evidence performance and facilitate completion of the audit.

IDES Response:

IDES accepts this finding. As part of IDES' UI Modernization Project, the agency has identified staff who will be responsible for monitoring the reports (including supervisory review). IDES will update its procedures to reflect changes in monitoring the reports and increase the retention period of our business process.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: CDBG – State-Administered Small Cities Program Cluster

CFDA # and Program Expenditures: 14.228 (\$89,756,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-054 *Inaccurate Reporting of Federal Expenditures*

DCEO did not accurately report Federal expenditures under the CDBG – State-Administered Small Cities Program (CDBG) Cluster.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to DCEO’s financial records. Specifically, we noted the following difference for the year ended June 30, 2014:

Program	Federal Expenditures Reported in DCEO’s Records	Federal Expenditures Reported on the Final SEFA	Difference
CDBG Cluster	\$88,877,000	\$89,756,000	\$879,000

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with DCEO officials, they stated the <1% discrepancy noted is intentional and offsets an identical adjustment made in prior years.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-054, 2013-050)

Recommendation:

We recommend DCEO establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

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DCEO Response:

DCEO acknowledges the recommendation and will review financial reporting processes and procedures to determine if further refinement is necessary. To improve the accountability of state funds, a recharacterization of a state program transaction was made to show a clear definition between state and federal funds. This adjustment reflects the financial reporting entries necessary to accomplish this goal. Since the Departmental adjustment is not a material change to the prior year financial statements of the State as a whole, the adjustment is shown in the current year activity for the Department.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Energy (USDOE)

Program Name: Weatherization Assistance for Low Income Persons

CFDA # and Program Expenditures: 81.042/81.042ARRA (\$9,313,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Findings 2014-055 *Inadequate Documentation of Monitoring of Subrecipients of the Weatherization Program*

DCEO did not adequately document on-site monitoring procedures performed for subrecipients of the Weatherization Assistance for Low Income Persons (Weatherization) program.

DCEO monitors subrecipients of the Weatherization program by: (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) periodic communication of program requirements, and (4) on-site monitoring procedures. However, DCEO does not adequately document its performance of on-site monitoring procedures to review subrecipient compliance with programmatic requirements or the fiscal and administrative capabilities of any of the subrecipients of the Weatherization program. Specifically, we noted that the checklists used for the Weatherization program were highly summarized and do not adequately document the compliance requirements being reviewed or the procedures being performed.

DCEO passed through approximately \$8,032,000 of federal funding to subrecipients of the Weatherization program during the year ended June 30, 2014.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 2014, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include adequately documenting the on-site review procedures performed.

In discussing these conditions with DCEO personnel, they stated the Office of Energy Assistance (OEA) staff had implemented revised monitoring documentation tools and checklists in response to the previous year's finding. However, during this review, the revised monitoring documentation tools and checklists were determined inadequate to effectively document the monitoring process.

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Failure to adequately document subrecipient monitoring reviews may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement and federal funds being expended for unallowable purposes. (Finding Code 2014-055, 2013-052, 12-63)

Recommendation:

We recommend DCEO review its current procedures for monitoring Weatherization subrecipients to ensure monitoring tools adequately document the compliance requirements and fiscal/administrative controls being reviewed.

DCEO Response:

DCEO accepts the recommendation and will develop more comprehensive Weatherization Programmatic Monitoring tools and checklists, train monitoring staff on their use, and establish and implement a policy of programmatic monitoring utilizing the newly developed tools.

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State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Highway Planning and Construction Cluster
Surface Transportation Discretionary Grants for Capital Investment
CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,448,578,000)
20.932ARRA (\$16,315,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-056 *Failure to Obtain Certified Payrolls Prior to Making Highway Planning and TIGER Contractor Payments*

IDOT did not obtain certified payrolls prior to making payments to contractors for the Highway Planning and Construction Cluster (Highway Planning) and Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. These regulations require, in part, that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid prevailing wage rates established for the locality of the project. Each subcontractor subject to the Davis-Bacon Act must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on the construction site is required to keep a log of contractors and monitor payroll submission. These logs are reviewed by the resident engineer, which indicates the certified payrolls for that period have been received prior to payment.

During our testwork of 48 Highway Planning contractor payments for regular construction projects (totaling approximately \$25,600,000), 17 Highway Planning contractor payments for advanced construction projects (totaling approximately \$6,344,000), and 5 TIGER contractor payments for regular construction projects (totaling approximately \$2,554,000), we noted the following:

- The certified payrolls for 2 Highway Planning contractor payments on regular construction projects (totaling approximately \$822,000) and 2 Highway Planning contractor payments on advanced construction projects (totaling approximately \$448,000) were not received prior to payment. The number of days the certified payrolls were received subsequent to the payments made to the contractors ranged from 7 to 60 days.
- The certified payrolls for 26 Highway Planning contractor payments on regular construction projects (totaling approximately \$12,287,000), 6 Highway Planning contractor payments on advanced construction projects (totaling approximately \$1,735,000), and 4 TIGER contractor payments on regular construction projects (totaling approximately \$2,335,000) were not date stamped. As a result, we were unable to determine whether they were received prior to making payments to the contractors.
- The certified payrolls for 12 Highway Planning contractor payments on regular construction projects (totaling approximately \$9,098,000) and 6 Highway Planning contractor payments on advanced

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construction projects (totaling approximately \$2,342,000) were not signed by either the Resident Engineer, documentation staff, or Equal Employment Opportunity (EEO) personnel. As a result, we were unable to determine whether the certified payroll was approved prior to making payments to the contractor.

Payments made for construction contracts under the Highway Planning and TIGER programs were approximately \$1,246,819,000 and \$9,742,000, respectively, during the year ended June 30, 2014.

According to 29 CFR Section 5.5(a)(3)(ii)(A), the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Resident Engineer. Each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure certified payrolls are received prior to making payments to the contractors.

In discussing these conditions with IDOT personnel, they stated the Department's written procedures and policies do not address the signing and dating of the payrolls.

Failure to obtain certified payrolls prior to making payments to the contractors could result in contractors not paying the prevailing wage rate to employees. (Finding Code 2014-056, 2013-054, 12-66, 11-77)

Recommendation:

We recommend IDOT establish procedures to ensure weekly payroll certifications are received prior to making payments to the contractors.

IDOT Response:

The Department agrees with the recommendation.

The Department will provide direction to the field staff that the payrolls must be received before work can be paid. This will occur at our annual Project Implementation meeting and at the annual spring meetings in each district. In addition, our written procedures will be improved to provide better direction. The Department will conduct a thorough review of the related federal and State laws, Federal Highway Administration (FHWA), and State policy, and opportunity to use technology for payroll submission to rewrite Department procedures.

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State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,448,578,000)

Award Numbers: See table of award numbers

Questioned Costs: Cannot be determined

Finding 2014-057 *Failure to Retain Documentation in Accordance with Federal Regulations*

IDOT did not retain documentation for construction projects in the Highway Planning and Construction Cluster (Highway Planning) program in accordance with federal regulations.

Contractors must receive advance approval from IDOT to bid on construction projects. As a condition of obtaining IDOT's advance approval contractors are required to submit an affidavit of availability, which identifies the total value of work previously awarded but not yet complete by the contractor, the contractor's commitment of equipment and personnel on payroll for the planned project, any proposed work on which the contractor is the low bidder which has not yet been awarded, all subcontractors used by the contractor on its projects, and the value of work sublet by the contractor. This affidavit is used by IDOT to determine whether the contractor has available capacity to complete the project.

Prior to making payment to a contractor, IDOT personnel obtain and review a resident engineer (RE) pay estimate report (progress report) summarizing the pay item quantities used on the project. For each project, the RE keeps track of the contract's progress through the pay estimate report and submits the approved report to the Bureau of Construction. This RE report is required to be reviewed and approved by the resident engineer and Bureau of Construction prior to making payment to the contractor.

During our testwork of 48 contractor payments for regular construction projects (totaling approximately \$25,600,000) and 17 contractor payments for advanced construction projects (totaling \$6,344,000), we noted that the affidavit of availability could not be located for two contractors (with sampled payments of \$308,500).

Upon further review, we noted these projects were originally bid prior to fiscal year 2008 and the affidavits of availability were purged in accordance with IDOT's record retention policy which only requires documentation of this nature to be retained for a five-year period. Accordingly, IDOT has purged the affidavits of availability for all projects which were bid prior to July 1, 2008, including those for open construction projects and advance construction projects claimed in the current period. As federal regulations require records to be retained for a period of three years after final payments and all other pending matters are closed, these affidavits of availability should have been retained by IDOT.

In each of the procurement and contract files missing the affidavits of availability, each of the advance approval criteria and cost information was verified through additional supporting documentation in IDOT's electronic records. Therefore, all information necessary to establish and support the advance approval

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procedures had been performed for the period was available; however, evidence of IDOT personnel's review and approval could not be located.

Payments made to or claimed under advanced construction projects for the contractors identified as exceptions in our testwork for the projects sampled were \$4,903,000 for the year ending June 30, 2014. Payments made to contractors whose projects were bid prior to July 1, 2008 approximated \$66,129,000 during the year ended June 30, 2014. Payments made for construction contracts under the Highway Planning program were approximately \$1,320,033,000 during the year ended June 30, 2014.

According to 49 CFR Section 18.36(i)(10-11), records must be retained for three years after grantees or subgrantees make final payments and all other pending matters are closed to allow access to the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives for the purpose of making audits or examinations. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing record retention policies that comply with federal regulations.

In discussing these conditions with IDOT officials, they stated the Department followed its approved retention requirements for the time period in which these contracts were processed.

Failure to retain documentation in accordance with Federal regulations may result in unallowable costs being charged to the federal program and prevents Federal agencies from properly monitoring the State's compliance with program requirements. (Finding Code 2014-057)

Recommendation:

We recommend IDOT review its current record retention policies and procedures and implement the changes necessary to ensure documentation is retained in accordance with Federal regulations.

IDOT Response:

The Department agrees with the recommendation.

The Federal Highway Administration is setting new rules that require federal reimbursement within 5 to 7 years (depending on project cost) from the date of project authorization. The Department's record retention schedule should be adequate to cover this time period. The record retention schedules will be reviewed and updated if necessary.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Surface Transportation Discretionary Grants for Capital Investment

CFDA # and Program Expenditures: 20.932ARRA (\$16,315,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-058 Inaccurate Reporting of Federal Expenditures

IDOT did not accurately report Federal expenditures under the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOT’s financial records. Specifically, we noted the following difference for the year ended June 30, 2014:

Program	SEFA Caption	Amount Reported on the SEFA	Amounts per IDOT’s Records	Difference
TIGER	Amounts passed through to subrecipients	\$302,000	\$6,572,000	(\$6,270,000)

According to OMB Circular A-133 §__.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

In discussing this with IDOT officials, they stated the very rare instance of a for-profit subrecipient did not meet the parameters of the information pull for the subrecipient reporting. Since only specific vendors are named as subrecipients, in the federal award, there was not a way to systematically identify the subrecipient spending and the manual adjustment was missed due to an oversight. Therefore the subrecipient spending was reported as direct vendor payments.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2014-058, 2013-053, 12-81, 11-87)

Recommendation:

We recommend IDOT establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

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IDOT Response:

The Department agrees with the recommendation.

The Department will include a list of the specific vendors with the procedures for completion of the GAAP packages.

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State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Surface Transportation Discretionary Grants for Capital Investment
CFDA # and Program Expenditures: 20.932ARRA (\$16,315,000)
Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-059 *Failure to Communicate ARRA Information and Requirements to Subrecipients*

IDOT did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

During our testwork over 3 ARRA disbursements totaling approximately \$735,000 to 2 subrecipients of the TIGER program, we noted 2 subrecipient agreements did not identify the requirement to separately report ARRA program expenditures on the schedule of expenditures of federal awards (SEFA) and the data collection form. Additionally, this agreement did not include Buy American Act certifications required for ARRA awards. IDOT passed through ARRA funds of approximately \$6,572,000 to subrecipients of the TIGER program during the year ended June 30, 2014.

According to 2 CFR, Chapter I, Part 176.210 (c) and (d), recipients of ARRA funds agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal Award number, CFDA number, and the amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program. Recipients of ARRA funds also agree to require their subrecipients to provide similar identification in their SEFA and data collection form. Additionally, 2 CFR 176.60 prohibits the use of recovery funds for projects for construction, alteration, maintenance, or repair of public buildings or public work unless all of the iron, steel, manufactured goods used in the project are produced in the United States.

The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required ARRA information is communicated to subrecipients and Buy American certifications are obtained.

In discussing these conditions with IDOT officials, they stated subrecipient's grant agreements were executed prior to the recent audit periods.

Failure to communicate required ARRA information and obtain Buy American certifications could result in subrecipients not properly administering the federal programs in accordance with federal regulations. (Finding Code 2014-059, 2013-061, 12-70, 11-81, 10-85)

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Recommendation:

We recommend IDOT implement procedures to ensure ARRA information and requirements are properly communicated in writing to its subrecipients and obtain Buy American certifications.

IDOT Response:

The Department agrees with the recommendation.

The Department will provide written notification to properly communicate the required ARRA information and Buy American requirements to all subrecipients.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster
Surface Transportation Discretionary Grants for Capital Investment

CFDA # and Program Expenditures: 20.106 (\$58,711,000)
20.205/20.205ARRA/20.219 (\$1,448,578,000)
20.932ARRA (\$16,315,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-060 Failure to Notify Subrecipients of Federal Funding

IDOT did not provide required federal program information to its subrecipients of the Airport Improvement Program, the Highway Planning and Construction Cluster (Highway Planning), and Surface Transportation Discretionary Grants for Capital Investment (TIGER) program for the year ended June 30, 2014.

During our testwork of 40 grant awards to 29 subrecipients who received approximately \$15,542,000 of Airport Improvement Program funds, 40 grant awards to 32 subrecipients who received approximately \$55,416,000 of Highway Planning funds, and 2 subrecipients who received approximately \$6,572,000 of TIGER funds, we noted the following:

- Seven grant award notices for the Airport Improvement Program and three grant award notices for the Highway Planning program did not communicate the need for an audit in accordance with OMB Circular A-133.
- Nine grant award notices for the Airport Improvement Program and thirteen grant award notices for the Highway Planning program included incorrect information regarding the need for an audit in accordance with OMB Circular A-133. Specifically, IDOT notified those subrecipients that an audit in accordance with OMB Circular A-133 is required if the subrecipient receives (rather than expends) federal financial assistance totaling \$500,000 or more from any source during its fiscal year.
- Three grant award notices for the Highway Planning program did not communicate the specific program or CFDA number and title under which federal financial assistance had been provided.
- Two grant award notices for the TIGER program did not communicate the specific program CFDA title under which federal financial assistance had been provided.
- One grant award notice for the TIGER program included incorrect information regarding the need for an audit in accordance with OMB Circular A-133, and did not communicate the requirement to register with the Central Contractor Registration.

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Subrecipient expenditures under the federal programs for the year ended June 30, 2014 were as follows:

Program	Total Fiscal Year 2014 Subrecipient Expenditures	Total Fiscal Year 2014 Program Expenditures	%
Airport Improvement Program	\$32,807,000	\$58,711,000	55.9%
Highway Planning Program	166,468,000	1,448,578,000	11.5%
TIGER Program	6,572,000	16,315,000	40.3%

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, and award year. The pass through entity is also required to advise subrecipients of the need for an audit in accordance with OMB Circular A-133 if a subrecipient expends more than \$500,000 in federal financial assistance during its fiscal year. According to 2 CFR Section 176.50(c), recipients and their first tier recipients must maintain current registrations in the System of Awards Management at all times during which they have active federal awards funded with Recovery Act funds. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required federal award notifications are made to subrecipients.

In discussing these conditions with IDOT officials, they stated the agreement language has been corrected; however, due to the length of time an agreement is active, the majority of the issues noted were with agreements executed prior to implementation of that corrective action. Due to the number of open agreements and staffing levels, it has not been feasible to amend all open agreements to include the proper language.

Failure to inform subrecipients of federal award information could result in subrecipients improperly omitting expenditures from their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 2014-060, 2013-056, 12-68, 11-79, 10-86, 09-77, 08-81, 07-73, 06-74, 05-78, 04-63)

Recommendation:

We recommend IDOT review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

IDOT Response:

The Department agrees with the recommendation. The Department has or will provide written notice to all subrecipients with active agreements to notify them of the correct federal program information as required by OMB Circular A-133. In addition, a memo will be sent to all business areas processing subrecipient agreements to instruction them to use the revised template when processing all future agreements.

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State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

CFDA # and Program Expenditures: 20.319/20.319ARRA (\$150,171,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-061 *Inaccurate High Speed Rail Financial Reports*

IDOT did not prepare accurate financial reports for the High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (High Speed Rail) program.

IDOT is required to prepare financial status (SF-425) reports on a quarterly basis for the High Speed Rail program. During our testwork of two SF-425 reports, we noted IDOT incorrectly reported the total expenditure amount for the March 31, 2014 report. Specifically, we noted IDOT reported total expenditures of \$391,690,850 when supporting documentation identified total expenditures of \$421,807,875, which resulted in an understatement of \$30,117,025.

Supervisory review procedures performed prior to report submission did not identify this error; however, we noted IDOT personnel indicated they identified this error subsequent to filing the electronic version of the report, but were unable to make corrections to the SF-425 report after it was finalized.

According to 74 Federal Register 29916, Appendix 3.5, IDOT is required to submit quarterly financial status reports (known as SF-425 reports) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

In discussing these conditions with IDOT officials, they stated the error was due to oversight and once identified, they were unable to correct the electronic submission.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the High Speed Rail program. (Finding Code 2014-061, 2013-066, 12-75, 11-86)

Recommendation:

We recommend IDOT review the process and procedures in place to prepare financial reports required for the High Speed Rail program and implement the additional procedures necessary to ensure the reports are complete and accurate prior to submission to USDOT.

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IDOT Response:

The Department agrees with the recommendation.

The Department revised the QA/QC process to indicate an additional review prior to sending the documents to be entered into the system realizing that once entered, they cannot be altered electronically.

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For the Year Ended June 30, 2014

State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Surface Transportation Discretionary Grants for Capital Investment
CFDA # and Program Expenditures: 20.932ARRA (\$16,315,000)
Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-062 *Inaccurate TIGER Financial Reports*

IDOT did not prepare accurate financial reports for the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT is required to prepare financial status (SF-425) reports on a quarterly basis for the TIGER program. During our testwork of two SF-425 reports, we noted IDOT did not complete the federal cash section of the SF-425 as required by program requirements. Additionally, IDOT reported expenditure data on lines 10 (i), (j), and (k) which pertain to the recipient's share (matching amounts) when the TIGER program is 100% federal funding.

According to 74 Federal Register 29916, Appendix 3.5, IDOT is required to submit quarterly financial status reports (known as SF-425 reports) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is complete and accurate.

In discussing these conditions with IDOT officials, they stated they were not aware of this inaccurate reporting. The federal cash section of the SF-425 was completed starting in the second quarter reports in 2014. However, the expenditure data on lines 10 (i), (j), and (k) which pertain to the recipient's share was also filled in with amounts when it should not have been due to TIGER programs being 100% federal funding.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the TIGER program. (Finding Code 2014-062, 2013-064, 12-78)

Recommendation:

We recommend IDOT review the process and procedures in place to prepare financial reports required for the TIGER program and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records.

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IDOT Response:

The Department agrees with the recommendation.

The Department agrees to review the process and procedures in place and adjust the reporting on the SF-425 with the new understanding that expenditure data on lines 10 (i), (j), and (k), (recipients' share amount) be \$0 and that TIGER programs are 100% federally funded.

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State Agency: Illinois Department of Transportation (IDOT)
Federal Agency: U.S. Department of Transportation (USDOT)
Program Name: Airport Improvement Program
Highway Planning and Construction Cluster
Surface Transportation Discretionary Grants for Capital Improvement

CFDA # and Program Expenditures: 20.106 (\$58,711,000)
20.205/20.205ARRA/20.219 (\$1,448,578,000)
20.932ARRA (\$16,315,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-063 *Inadequate Controls over Information Systems*

IDOT does not have adequate program change management controls over the IDOT Integrated Transportation Project Management system.

The information technology applications that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

During our testwork of IDOT's controls over user access to IDOT applications, we noted the following:

- 25 terminated employees (out of 25 tested) retained user access after their termination date for the BCM, ELM, ECM, FPC, and FOA systems.
- A shared ID is used by five IDOT employees to complete the federal billing process and access to the account is not logged.

Additionally, during our testwork over changes made to IDOT's information systems, we noted IDOT was not able to generate a list of changes made to its information systems from each respective information system or application. IDOT's current procedures include tracking changes made to its information systems

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in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDOT officials, they stated the situation regarding inadequate controls over IT System is caused primarily due to the different levels of user and system security in place and the separation of duties between IDOT and DCMS regarding the change management procedures.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement. (Finding Code 2014-063, 2013-067, 12-82)

Recommendation:

We recommend IDOT implement procedures to ensure all information systems are adequately secured and to generate a list of program changes from the information systems and applications.

IDOT Response:

The Department agrees with the recommendation.

The Department will implement a better tracking system to document the IT System change management process. Changes that are of a security nature (RACF ID actions) as well as changes involving system modifications will be logged by IDOT system support staff.

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State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,448,578,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-064 *Failure to Follow Sampling and Testing Program for Construction Materials*

IDOT did not test materials used for construction activities under the Highway Planning and Construction Cluster (Highway Planning) program in accordance with their approved sampling and testing program.

The Highway Planning program administered by IDOT provides federal funding to construct and rehabilitate interstate highways and public roads. IDOT is required to have a sampling and testing program in place to ensure that materials and workmanship generally conform to approved plans and specifications. Each state is required to develop their own sampling and testing program which must conform to requirements established by Federal law and must be approved by the Federal Highway Administration (FHWA). IDOT has developed a comprehensive sampling and testing program as documented in the Project Procedures Guide for Sampling Frequencies for Materials Testing and Inspection (the Guide) and the Manual for Materials Inspection (the Manual) that meets these requirements.

IDOT utilizes the Materials Integrated System for Test Information and Communication (MISTIC) system to track which materials require testing and the method of testing to be used. This system is integrated with IDOT's construction billing system in which resident engineers enter quantities used during construction to generate payments to the contractors. If quantities entered do not have a test number which conforms to the type of testing required by the Guide assigned in MISTIC, it is the resident engineer's responsibility to ensure the proper test is completed before payment is made.

During our testwork of 65 materials from ongoing (open) construction projects and advanced construction projects, we noted two instances in which materials were accepted using a method of acceptance that was not in accordance with the Manual.

According to 23 CFR Section 637.205(a), each state's transportation department shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the National Highway System are in conformity with the requirements of the approved plans and specifications, including approved changes.

Additionally, according to 49 CFR Section 18.36(i)(10) and 18.36(i)(11), records must be retained for three years after grantees or subgrantees make final payments and all other pending matters are closed to allow access to the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives for the purpose of making audits or examinations.

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Finally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure materials used in each Federal-aid highway construction project on the National Highway System are tested in accordance with the sampling and testing plan approved by the Federal Highway Administration (FHWA).

In discussing these conditions with IDOT officials, they stated one of the issues identified was due to error or oversight, the other issue was due to a departmental change in acceptance method prior to annual Manual update.

Failure to follow the sampling and testing program approved by the FHWA could result in substandard materials and workmanship in the State's interstate highways and public roads. (Finding Code 2014-064, 2013-059, 12-69, 11-80, 10-87, 09-79)

Recommendation:

We recommend IDOT implement procedures to ensure all materials are tested in accordance with the sampling and testing program approved by the FHWA and retain documentation in accordance with federal regulations.

IDOT Response:

The Department agrees with the recommendation.

The Department will re-emphasize to the districts the importance of always using the correct method of acceptance for all construction materials which can generally be found in the current Manual for Materials Inspection. With regards to the second item in the finding, in the future, if a method of acceptance change occurs outside of the annual update to the Manual, the Bureau of Materials & Physical Research will notify the districts of the change.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.205ARRA/20.219 (\$1,448,578,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-065 *Failure to Perform a Value Engineering Analysis on Highway Planning Construction Projects*

IDOT did not perform a value engineering (VE) analysis for construction projects under the Highway Planning and Construction (Highway Planning) program in accordance with the approved VE program.

According to IDOT's approved VE program, IDOT is required to perform an analysis during the planning and development stages for applicable projects that utilize Federal highway funding to determine whether: (1) the project provides the needed functions, considering community and environmental commitments, safety, reliability, efficiency, and overall life-cycle cost; (2) improvements can be made for the value and quality of the project; and (3) improvements can be made to reduce the time to develop and deliver the project.

During our testwork, we selected 30 applicable construction projects and noted 6 projects in which a VE analysis was required, but documentation was not available to evidence its performance.

According to 23 CFR Section part 627.5(a), a VE analysis shall be conducted prior to the completion of final design on each applicable project that utilizes Federal-aid highway funding, and all approved recommendations shall be included in the project plans, specifications, and estimates. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure a VE analysis is performed on all applicable Federal-aid highway construction projects in accordance with the VE program approved by the Federal Highway Administration (FHWA).

In discussing these conditions with IDOT officials, they stated existing procedures in place to ensure VE studies are conducted on required projects were insufficient to prevent this occurrence.

Failure to perform a value engineering analysis in accordance with the standards set forth by the FHWA could result in unallowable costs. (Finding Code 2014-065, 2013-060)

Recommendation:

We recommend IDOT implement procedures to ensure a value engineering analysis is performed for all applicable construction projects in accordance with its approved VE program.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

IDOT Response:

The Department agrees with the recommendation.

The Department will review the existing procedures in place to ensure VE studies are conducted on required projects. When deficiencies in those procedures are identified, the procedures shall be revised in order to more effectively assure compliance with 23 CFR 627. Review and any revisions of the Department's VE procedures will be coordinated with the FHWA pursuant to the current Stewardship/Oversight Agreement between the Department and FHWA.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Emergency Management Agency (IEMA)
Federal Agency: U.S. Department of Homeland Security (USDHS)
Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Homeland Security Grant Program
CFDA # and Program Expenditures: 97.036 (\$16,771,000)
97.067 (\$75,635,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-066 *Inadequate Review of Subrecipient OMB Circular A-133 Reports*

IEMA did not have an adequate process to review subrecipient OMB Circular A-133 reports.

IEMA requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IEMA staff is 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 IEMA records; and (3) Type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, IEMA staff is responsible for evaluating the type of audit opinion issued (i.e. unmodified, modified, or adverse) and issuing management decisions on reported findings within the prescribed time frame.

During our testwork over seven subrecipients of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Public Assistance) program and eight subrecipients of the Homeland Security Grant program, we noted the following exceptions:

- A management decision was not issued within six months of receiving the audit report for six subrecipients of the Public Assistance program and one subrecipient of the Homeland Security program. We further noted the management decisions had not been issued as of the date of our testing (November 2014) and ranged from one to fourteen months beyond the required time frame.
- OMB Circular A-133 audit reports were not received within required time frames for two subrecipients of the Public Assistance program. Audit reports were received three and six months beyond the nine-month deadline. IEMA did not perform procedures to follow-up with these subrecipients to obtain missing reports.

Total awards passed through to subrecipients of the Public Assistance and Homeland Security Grant programs were approximately \$15,338,000 and \$70,534,000, respectively, during the year ended June 30, 2014.

According to OMB Circular A-133 § __.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2014, a pass-through entity is required to (1) ensure that subrecipients expending \$500,000 or more in Federal awards

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the case of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IEMA officials, they stated additional staffing resources are needed to cover these duties.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner and issue management decisions in accordance with OMB Circular A-133 may result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2014-066, 2013-068, 12-83, 11-90, 10-91)

Recommendation:

We recommend IEMA implement procedures to ensure that management decisions are issued within six months after receipt of a subrecipient's audit report. In addition, IEMA needs to establish procedures to ensure subrecipient OMB Circular A-133 audit reports are obtained within required time frames and to follow up with subrecipients on delinquent reports.

IEMA Response:

IEMA agrees and has already implemented an agency-wide, standardized checklist to be used in relation to the A-133 audit report process. Additionally, the agency has established, and is attempting to fill, a position dedicated solely to ensuring oversight and follow-up of the A-133 process for all agency grant programs.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Emergency Management Agency (IEMA)
Federal Agency: U.S. Department of Homeland Security (USDHS)
Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
CFDA # and Program Expenditures: 97.036 (\$16,771,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-067 *Failure to Draw Funds Only for Immediate Cash Needs*

IEMA did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 15 expenditures (totaling \$878,612) funded under the advanced basis related to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, we noted warrants were not issued for 7 expenditure vouchers (totaling \$273,309) within three business days of receiving federal funds to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 4 to 12 business days. Total expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program administered by IEMA were \$16,771,000 during the year ended June 30, 2014.

According to 44 CFR 13.21(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than \$68,799,000 in expenditures follow Subpart B – Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a state’s actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures in place to minimize the time elapsing between the receipt of federal funds and their disbursement.

In discussing these conditions with IEMA personnel, they stated they do not believe a three day time frame is “administratively feasible” as they do not have control over the amount of time taken by other State offices involved in the process.

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government. (Finding Code 2014-067, 2013-069, 12-85, 11-93, 10-93, 09-87)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Recommendation:

We recommend IEMA implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

IEMA Response:

The agency believes we are in compliance with 31 CFR part 205, subpart B. We have procedures in place to minimize the amount of time between draws and payment to the extent possible within our agency, ensuring the time elapsed between fund draw and submission for payment is no more than 3 days. However, once we have completed our processes within IEMA, we have no control over the length of time it takes for funds to reach the intended recipient. Further, because IEMA is subject to subpart B, an interest liability is not accrued.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: U.S. Department of Homeland Security (USDHS)

Program Name: Homeland Security Grant Program

CFDA # and Program Expenditures: 97.067 (\$75,635,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-068 *Inadequate Process to Report Required Subaward Information*

IEMA does not have an adequate process to ensure all subawards are properly reported as required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Homeland Security Grant program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 for federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork, we noted IEMA had not reported the required FFATA information for all subawards made in State fiscal year 2014 under the Homeland Security Grant program. Specifically, in our testing of 40 subawards (totaling \$81,126,788), we identified 31 subawards (totaling \$49,791,200) which were required to be reported on or before September 30, 2013 that had not been reported as of the date of our testwork (October 20, 2014).

According to 2 CFR 170, a pass-through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000 no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/modification was made.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with IEMA personnel, they stated some data elements were mistakenly left off the data file uploaded to the FFATA Subaward Reporting System (FSRS) site.

Failure to report subawards under FFATA in a timely manner reduces the transparency of the federal spending to the public and results in noncompliance with federal regulations. (Finding Code 2014-068, 2013-070, 12-86)

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Recommendation:

We recommend IEMA establish procedures to report required subaward information in accordance with FFATA on a timely basis.

IEMA Response:

Agreed. The agency has implemented a new policy governing collection and reporting of FFATA data and includes both programmatic and information technology reviews of data to ensure we are in compliance with FFATA reporting requirements.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

State Agency: Illinois Governor’s Office of Management and Budget (GOMB)

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
U.S. Department of Transportation (USDOT)
U.S. Social Security Administration (USSSA)
U.S. Department of Homeland Security (USDHS)

Program Name: CDBG – State-Administered Small Cities Program Cluster
Airport Improvement Program
Disability Insurance/SSI Cluster
Homeland Security Grant Program

CFDA # and Program Expenditures: 14.228 (\$89,756,000)
20.106 (\$58,711,000)
96.001 (\$83,518,000)
97.067 (\$75,635,000)

Award Numbers: See table of award numbers

Questioned Costs: None

Finding 2014-069 *Inadequate Procedures for Amending the Treasury-State Agreement*

The State does not have adequate procedures in place to ensure the Treasury-State Agreement (TSA) is amended in accordance with federal regulations.

Annually, the State negotiates the TSA with the U.S. Department of the Treasury (the Treasury), which details the funding techniques to be used for the drawdown of federal funds. The TSA is required to include all major federal assistance programs exceeding \$68,799,000 based on the most recent Statewide Single Audit Report; however, the State is also required to amend the TSA within 30 days of determining that a program will exceed the expenditure threshold.

During our audit, we noted the Community Development Block Grants – State-Administered Small Cities Program Cluster, Disability Insurance/SSI Cluster, and Homeland Security Grant Program were expected to exceed the \$68,799,000 program expenditure threshold in fiscal year 2014 based on amounts awarded; however, the TSA was not amended to include these programs during fiscal year 2014.

Additionally, as a result of not properly including the Airport Improvement Program in the 2013 TSA agreement, the State did not prepare an interest calculation for this program in 2014.

According to 31 CFR 205.9(b), a State must use its most recent Single Audit report as a basis for determining the funding thresholds for major Federal assistance programs to be included in the TSA and the TSA must be amended as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. According to 31 CFR 205.7(c), a state must notify the Treasury within 30 days of the time the state becomes aware of a change, and must describe the change in the notification. Amendments may address, but are not limited to, additions and deletions of Federal assistance programs subject to the TSA.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

In discussing these conditions with GOMB personnel, they stated this condition is due to a misunderstanding of the requirements for amending the TSA.

Failure to amend the TSA when required is a violation of the Cash Management Improvement Act (CMIA) and may result in interest liabilities being assessed to the State. (Finding Code 2014-069, 2013-073, 12-90, 11-100, 10-101)

Recommendation:

We recommend the State establish procedures to ensure the TSA is amended for any necessary changes in accordance with federal regulations.

GOMB Response:

The Governor's Office of Management and Budget agrees with the recommendation. GOMB will revise existing procedures to ensure the TSA is amended within the time requirements for any necessary changes in accordance with federal regulations.

STATE OF ILLINOIS
 Table of Award Numbers
 Year ended June 30, 2014

Name of Federal Program or Cluster (CFDA #):

Supplemental Nutrition Assistance Program Cluster (10.551/10.561):

Award Number			
13IE2518	13S2520	2012IQ390342	2012IS251442
2013IQ390342	2013IS251442	2013IS251942	2013IS803642
2014IE251842	2014IS251442	2014IS251942	2014IS252042
2014IS750342	2014IS803642		

Child Nutrition Cluster (10.553/10.555/10.556/10.559):

Award Number			
2013CN109942	2013IN109942	2014CN109942	2014IN109942

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):

Award Number			
Z10CK201842			

Child and Adult Care Food Program (10.558):

Award Number			
2013CN109942	2013CN202042	2013IN109942	2013IN202042
2014CN109942	2014CN202042	2014IN109942	2014IN202042

ARRA - WIC Grants to States (10.578):

Award Number			
2010CK201842			

Community Development Block Grant - State-Administered Small Cities Program Cluster (14.228):

Award Number			
B-06-DC-17-0001	B-07-DC-17-0001	B-09-DC-17-0001	B-10-DC-17-0001
B-11-DC-17-0001	B-12-DC-17-0001	B-13-DC-17-0001	B-08-DF-17-0001
B-08-DI-17-0001			

Employment Services Cluster (17.207/17.801/17.804):

Award Number			
ES229941255A17	ES246131355A17	DV19638D34	DV19638D44
DV19638L34	DV19638L44		

Unemployment Insurance Program (17.225/17.225ARRA):

Award Number			
UI210971155A17	UI222741255A17	UI238891355A17	UI252001455A17
ES229941255A17			

Workforce Investment Act Cluster (17.258/17.259/17.278):

Award Number			
AA-20192-10-55-A-17	AA-21393-11-55-A-17	AA-22933-12-55-A-17	AA-24090-13-55-A-17

Airport Improvement Program (20.106):

Award Number			
3-17-0000-005	3-17-0027-09	3-17-0088-69	3-17-SBGP-64
3-17-0006-45	3-17-0033-39	3-17-0088-70	3-17-SBGP-66
3-17-0006-52	3-17-0065-030	3-17-0096-48	3-17-SBGP-69
3-17-0006-56	3-17-0068-63	3-17-0096-58	3-17-SBGP-73
3-17-0006-57	3-17-0068-69	3-17-0096-59	3-17-SBGP-74
3-17-0006-58	3-17-0068-70	3-17-0096-60	3-17-SBGP-76
3-17-0006-59	3-17-0068-71	3-17-0096-61	3-17-SBGP-80
3-17-0006-60	3-17-0068-72	3-17-0096-62	3-17-SBGP-84
3-17-0006-61	3-17-0068-73	3-17-0096-63	3-17-SBGP-85
3-17-0016-028	3-17-0068-74	3-17-0096-64	3-17-SBGP-86
3-17-0022-109	3-17-0068-75	3-17-0146-030	3-17-SBGP-87
3-17-0022-115	3-17-0080-51	3-17-SBGP-100	3-17-SBGP-88
3-17-0022-116	3-17-0080-56	3-17-SBGP-101	3-17-SBGP-91
3-17-0022-117	3-17-0080-57	3-17-SBGP-102	3-17-SBGP-93
3-17-0022-118	3-17-0080-58	3-17-SBGP-103	3-17-SBGP-94
3-17-0022-121	3-17-0080-59	3-17-SBGP-104	3-17-SBGP-95
3-17-0022-125	3-17-0080-60	3-17-SBGP-105 A	3-17-SBGP-96
3-17-0022-128	3-17-0088-61	3-17-SBGP-105 N	3-17-SBGP-97
3-17-0025-77	3-17-0088-63	3-17-SBGP-107	3-17-SBGP-99
3-17-0025-79	3-17-0088-64	3-17-SBGP-110	
3-17-0025-80	3-17-0088-67	3-17-SBGP-43	
3-17-0027-08	3-17-0088-68	3-17-SBGP-60	

STATE OF ILLINOIS
Table of Award Numbers
Year ended June 30, 2014

Name of Federal Program or Cluster (CFDA #)

High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants Program (20.319/20.319ARRA):

Award Number			
FR-HSR-0015-11-01-00	FR-HSR-0015-11-01-01	FR-HSR-0015-11-01-02	FR-HSR-01113-12-01-00
FR-HSR-0052-11-01-00			

Surface Transportation Discretionary Grants for Capital Investment (20.932ARRA):

Award Number			
0020055	0020057	0020059	0020060
6000331	9003709		

Capitalization Grants for Clean Water State Revolving Funds (66.458):

Award Number	
CS17000111	CS17000112

Capitalization Grants for Drinking Water State Revolving Funds (66.468):

Award Number		
FS98577711	FS98577712	FS98577713

Weatherization Assistance for Low-Income Persons (81.042/81.042ARRA):

Award Number		
DE-EE0006151	DE-EE0000490	DE-EE0000125

Title I, Part A Cluster (84.010):

Award Number		
S010A110013	S010A120013	S010A130013

Special Education Cluster (84.027/84.173):

Award Number			
H027A110072	H027A120072	H027A130072	H173A110101
H173A120101	H173A130101		

Federal Family Education Loan Program (84.032G):

Award Number
None

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):

Award Number			
H126A120018A	H126A120018B	H126A120018C	H126A120018F
H126A130018A	H126A130018B	H126A130018C	H126A130018F

Twenty-First Century Community Learning Centers (84.287):

Award Number		
S287C110013	S287C120013	S287C130013

Improving Teacher Quality State Grants (84.367):

Award Number		
S367A110012	S367A120012	S367A130012

School Improvement Grants (84.377/84.388ARRA):

Award Number		
S377A090014	S377A100014	S388A090014

Public Health Emergency Preparedness (93.069):

Award Number
2U90TP516966-11

Immunization Grants Program (93.268):

Award Number
5-H23IP000722-02

Centers for Disease Control and Prevention - Investigations and Technical Assistance (93.283):

Award Number			
5U58SO00027-03	5UR3DD000825-03	5U58DP003883-02	5U50DD000598-04
5U58DP001965-05	5U50CK000295-02	5U58DP003883-02	1U50OE00021-02
3U50CI000891-02S5	5U58DP003883-02	5U58DP001965-05	5U58DP003883-02

STATE OF ILLINOIS
Table of Award Numbers
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Name of Federal Program or Cluster (CFDA #)

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525):

Award Number			
HBEIE110074	HBEIE120116	HBEIE130158	

Promoting Safe and Stable Families (93.556):

Award Number			
1301ILFPSS	1311ILFPCV	1401ILFPSS	

Temporary Assistance for Needy Families Cluster (93.558):

Award Number			
G1302ILTANF	1402ILTANF		

Child Support Enforcement (93.563):

Award Number			
1204IL4005	1304IL4005	1404IL4005	

Low-Income Home Energy Assistance Program (93.568):

Award Number			
G-1202ILLIEA	G-1302ILLIEA	G-1402ILLIEA	

Child Care Development Fund Cluster (93.575/93.596):

Award Number			
G1301ILCCDF	G1401ILCCDF		

Child Welfare Services - State Grants (93.645):

Award Number			
G-1301ILCWSS	G-1401ILCWSS		

Foster Care - Title IV-E (93.658/93.658ARRA):

Award Number			
1301IL1401	1401IL1401		

Adoption Assistance (93.659/93.659ARRA):

Award Number			
1301IL1407	1401IL1407		

Social Services Block Grant (93.667):

Award Number			
G1301ILSOSR	G1401ILSOSR		

Children's Health Insurance Program (93.767):

Award Number			
05-1205IL5021	05-1305IL5021	05-1205ILCPBP	05-1305ILCPBP

Medicaid Cluster (93.775/93.777/93.778):

Award Number			
05-1305IL5MAP	05-1405IL5MAP	05-1305IL5ADM	05-1405IL5ADM
05-1305ILIMPL	05-1405ILIMPL	05-1305ILINCT	05-1405ILINCT

HIV Care Formula Grants (93.917):

Award Number			
6X07HA00012-23-02	2H08HA16837-04-00	1X09HA24704-01-00	6X09HA23303-02-01

Block Grants for Prevention and Treatment of Substance Abuse (93.959):

Award Number			
12B1ILSAPT	13B1ILSAPT	14B1ILSAPT	

Social Security - Disability Insurance (96.001):

Award Number			
1004ILD100	1204ILD100	1304ILD100	1404ILD100

Disaster Grants Public Assistance (Presidentially Declared Disasters) (97.036):

Award Number			
1771DRILP00000001	1800DRILP00000001	1826DRILP00000001	1850DRILP00000001
1935DRILP00000001	1960DRILP00000001	1991DRILP00000001	4116DRILP00000001

Homeland Security Grant Program (97.067):

Award Number			
2010SST00026	EMW2011SS00035	EMA2012SS00039	EMW2013SS00014

STATE OF ILLINOIS
 Table of Award Numbers
 Year ended June 30, 2014

Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number													
0001108	0022081	0051092	0073103	0091128	0121053	0173179	0209017	0308042	0325055	0334020	0348047	0452124	
0001109	0025067	0051093	0073104	0093014	0121055	0173181	0209019	0308103	0325058	0334021	0348049	0452125	
0001112	0025069	0052109	0073105	0094016	0123025	0175101	0209021	0309014	0325059	0334022	0348050	0461118	
0001114	0025070	0053101	0074010	0094401	0126008	0177039	0209026	0310129	0325060	0334023	0348051	0489108	
0003126	0025074	0055008	0074300	0094402	0127018	0177040	0216104	0310130	0326067	0334024	0348106	0493103	
0005054	0025078	0055009	0074301	0095054	0129021	0177042	0217102	0310136	0326080	0334113	0348144	0502015	
0005125	0026003	0055052	0074302	0095055	0129026	0177043	0217106	0310139	0326083	0335017	0349016	0502016	
0005409	0026105	0055053	0075136	0095057	0129027	0177044	0221103	0310141	0326084	0335018	0349017	0505023	
0006034	0027043	0055062	0075139	0095058	0129028	0177045	0226102	0310144	0326088	0335099	0350019	0505025	
0007050	0028107	0055068	0075140	0095128	0131051	0179028	0232106	0310145	0327046	0336031	0350038	0510037	
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Table of Award Numbers
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Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):

Project Number												
0557263	0604024	0685029	0746158	0805071	0903215	1386002	1984004	2943016	4003009	4003205	4009140	4747103
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0577286	0662067	0733111	0788114	0866007	1229002	1598101	2806050	3578010	4003144	4009087	4009245	5011360
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Project Number												
5025052	5094004	6000297	8003382	8003949	9003202	9003499	9003670	9003824	9003984	000S547	000S890	000S975
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5025056	5099070	6000301	8003426	8003955	9003210	9003503	9003673	9003829	9003986	000S551	000S892	000S977
5025057	5099076	6000303	8003432	8003956	9003211	9003504	9003674	9003830	9003987	000S553	000S893	000S978
5027011	5099080	6000305	8003473	8003958	9003216	9003509	9003675	9003831	9003994	000S554	000S895	000S979
5029013	5099082	6000306	8003477	8003962	9003227	9003510	9003677	9003832	9003995	000S558	000S896	00D1502
5031007	5099091	6000307	8003492	8003964	9003228	9003511	9003678	9003834	9003996	000S582	000S898	00D1632
5033008	5099102	6000310	8003504	8003965	9003231	9003514	9003679	9003835	9009910	000S594	000S899	00D1633
5034017	5099110	6000311	8003506	8003966	9003232	9003519	9003680	9003841	9079009	000S604	000S901	00D1642
5034024	5146052	6000312	8003520	8003971	9003234	9003520	9003684	9003843	9111001	000S609	000S903	00D1653
5034025	5146065	6000313	8003543	8003979	9003242	9003523	9003690	9003851	9122008	000S610	000S904	00D1667
5035013	5146066	6000315	8003546	8003981	9003243	9003527	9003695	9003855	9128010	000S611	000S905	00D1705
5036023	5146080	6000317	8003560	8003995	9003244	9003530	9003696	9003856	9149003	000S614	000S906	00D1710
5036024	5146082	6000321	8003562	8003998	9003246	9003531	9003699	9003859	9166003	000S646	000S907	00D1712
5036027	5169046	6000324	8003569	8012013	9003247	9003540	9003703	9003863	9166020	000S658	000S908	00D1742
5038013	5169050	6000334	8003575	8159001	9003251	9003541	9003704	9003866	9166021	000S659	000S909	00D1744
5039011	5181048	6000335	8003588	8956003	9003255	9003542	9003705	9003868	9481003	000S664	000S910	00D1761
5041019	5181051	6000344	8003596	9003009	9003258	9003546	9003706	9003869	2007018	000S666	000S911	00D1768
5042018	5181052	6000345	8003612	9003010	9003260	9003547	9003707	9003877	2008008	000S679	000S912	00D1776
5045009	5206005	6000348	8003635	9003017	9003263	9003548	9003715	9003878	2009002	000S682	000S914	00D1779
5047010	5206006	6000349	8003637	9003021	9003266	9003555	9003716	9003879	2009003	000S688	000S915	00D1782
5048020	5227034	6000352	8003644	9003024	9003267	9003558	9003717	9003883	2009004	000S689	000S916	00D1796
5049023	5227038	6000353	8003649	9003025	9003270	9003560	9003718	9003885	2009005	000S691	000S917	00D1797
5051010	5227046	6000360	8003654	9003026	9003275	9003562	9003720	9003886	2009007	000S692	000S918	00D1804
5051011	5227056	6000368	8003661	9003027	9003277	9003563	9003721	9003887	2009009	000S694	000S922	00D1805
5052024	5789006	6000374	8003676	9003033	9003278	9003566	9003722	9003888	2009010	000S695	000S923	00D1809
5054008	5789008	6000387	8003690	9003034	9003281	9003568	9003724	9003890	2009011	000S696	000S925	00D1810
5060008	5855003	6000388	8003695	9003047	9003284	9003569	9003725	9003891	2009012	000S697	000S926	00D1814
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5062021	6000123	6000398	8003722	9003057	9003293	9003579	9003738	9003896	2011001	000S818	000S929	00D1819
5062029	6000135	6003881	8003739	9003060	9003295	9003580	9003739	9003900	2011002	000S820	000S930	00D1820
5066013	6000166	6003982	8003740	9003063	9003296	9003581	9003747	9003901	2011003	000S826	000S931	00D1821
5066015	6000168	6406001	8003748	9003064	9003299	9003582	9003748	9003902	2011004	000S828	000S932	00D1823
5066016	6000189	6578002	8003768	9003065	9003314	9003585	9003752	9003903	2011006	000S829	000S933	00D1825
5066017	6000191	6578003	8003773	9003066	9003325	9003591	9003757	9003905	2011007	000S830	000S934	00D1827
5066018	6000198	6658004	8003776	9003070	9003330	9003593	9003758	9003907	2011012	000S831	000S935	00D1829
5067016	6000201	7003351	8003792	9003071	9003333	9003596	9003761	9003909	2011013	000S832	000S936	00D1833
5067018	6000205	7003514	8003801	9003073	9003334	9003598	9003762	9003914	2011014	000S833	000S938	00D1834
5068028	6000206	7003539	8003802	9003074	9003339	9003601	9003763	9003918	2011015	000S837	000S939	00D1838
5071013	6000207	7003686	8003803	9003083	9003343	9003603	9003765	9003920	2011016	000S838	000S940	00D1839
5074087	6000215	7003750	8003808	9003087	9003345	9003605	9003772	9003928	2011017	000S845	000S941	00D1840
5074088	6000216	7003765	8003813	9003093	9003353	9003611	9003774	9003929	2011018	000S847	000S943	00D1841
5074089	6000232	7003812	8003816	9003100	9003361	9003612	9003775	9003930	2011019	000S850	000S944	00D1842
5074090	6000238	7003960	8003821	9003103	9003367	9003615	9003776	9003934	2011020	000S851	000S945	00D1845
5074092	6000255	7003964	8003829	9003104	9003388	9003617	9003780	9003936	2011021	000S853	000S946	00D1848
5074093	6000263	7003985	8003837	9003108	9003399	9003619	9003781	9003937	2011022	000S855	000S947	00D1850
5080005	6000264	7706004	8003838	9003110	9003434	9003620	9003784	9003939	2011023	000S856	000S948	00D1854
5080006	6000266	7968001	8003843	9003112	9003435	9003623	9003792	9003941	2011024	000S858	000S949	00D1855
5082006	6000267	8003037	8003851	9003116	9003440	9003624	9003793	9003942	2011025	000S859	000S953	00D1856
5086005	6000269	8003042	8003857	9003126	9003441	9003626	9003794	9003943	2011026	000S860	000S954	00D1857
5092004	6000270	8003043	8003867	9003129	9003448	9003627	9003797	9003949	2011027	000S861	000S955	00D1858
5093113	6000271	8003050	8003873	9003130	9003464	9003628	9003798	9003950	2011028	000S865	000S956	00D1859
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5093130	6000280	8003060	8003894	9003139	9003474	9003631	9003800	9003958	2011030	000S871	000S960	00D1861
5093137	6000281	8003093	8003904	9003153	9003482	9003632	9003802	9003963	2011031	000S872	000S964	00D1862
5093154	6000282	8003095	8003914	9003155	9003483	9003634	9003805	9003964	2011032	000S874	000S965	00D1865
5093156	6000284	8003100	8003922	9003156	9003484	9003637	9003806	9003968	000S043	000S875	000S966	00D1868
5093162	6000285	8003102	8003923	9003162	9003485	9003651	9003807	9003969	000S376	000S877	000S967	00D1869
5093163	6000286	8003111	8003930	9003164	9003490	9003652	9003810	9003970	000S378	000S878	000S968	00D1872
5093164	6000287	8003160	8003936	9003168	9003491	9003653	9003815	9003971	000S379	000S881	000S969	00D1880
5093165	6000293	8003223	8003939	9003178	9003492	9003656	9003816	9003975	000S385	000S882	000S970	00D1887
5093167	6000294	8003230	8003940	9003185	9003494	9003659	9003817	9003978	000S478	000S883	000S971	00D1888
5094002	6000295	8003255	8003942	9003188	9003495	9003660	9003818	9003980	000S519	000S884	000S972	00D1889
5094003	6000296	8003322	8003948	9003191	9003496	9003661	9003821	9003982	000S539	000S889	000S973	00D1891

STATE OF ILLINOIS
Table of Award Numbers
Year ended June 30, 2014

**Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):**

Project Number				
00D1894	00D6106	00D9102	0290200	6000331
00D1904	00D6107	00D9103	0301077	9003709
00D1910	00D6109	00D9104	0307039	
00D1921	00D6110	00D9105	0312039	
00D1936	00D6115	00D9108	0323027	
00D1944	00D6116	00D9112	0327103	
00D2090	00D7021	00D9115	0328034	
00D2114	00D7027	00D9116	0341111	
00D2116	00D7029	00D9119	0348052	
00D2128	00D7035	00D9120	0350040	
00D2131	00D7036	00D9121	0351024	
00D2132	00D7037	00DC139	0537015	
00D2133	00D7042	00HB001	0585011	
00D2142	00D7043	03IL005	0591027	
00D2145	00D7044	08IL022	0594006	
00D2151	00D7045	13ST001	0666023	
00D3042	00D7046	D001688	0717034	
00D3055	00D7047	D001729	0828022	
00D3056	00D7048	IL05009	0931111	
00D3058	00D7050	IL05012	0958001	
00D3059	00D7051	IL06016	1191001	
00D3062	00D7052	IL07002	1279112	
00D3063	00D7053	IL07004	1322125	
00D3065	00D7054	IL07005	1527090	
00D3066	00D7056	IL07011	1597109	
00D3067	00D7057	IL07022	1698100	
00D3068	00D7058	IL07023	1737104	
00D3070	00D7059	IL08002	2707107	
00D3073	00D7063	IL08003	2803103	
00D3079	00D7064	IL08021	4003056	
00D4085	00D8110	IL08024	4003086	
00D4098	00D8114	IL08029	4003161	
00D4105	00D8118	IL08030	4009158	
00D4106	00D8124	IL08031	4009196	
00D4110	00D8131	IL09020	4009272	
00D4116	00D8132	IL09021	4086002	
00D4117	00D8135	IL09022	5011359	
00D4118	00D8137	IL09025	5011397	
00D4119	00D8140	IL09031	5053006	
00D4120	00D8141	IL09033	5093166	
00D5090	00D8142	IL09034	6000213	
00D5092	00D8144	IL09042	6000327	
00D5096	00D8145	IL09044	6000341	
00D5098	00D8146	IL09101	6000346	
00D5099	00D8148	IL10001	6000351	
00D5100	00D8153	IL10102	6000369	
00D5101	00D8155	IL10105	6000373	
00D5102	00D8156	IL10106	6000397	
00D5103	00D8157	IL11001	8003167	
00D5104	00D8163	IL11003	8003373	
00D6078	00D8165	IL11005	9003081	
00D6080	00D8166	IL11036	9003298	
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00D6085	00D8168	ILSB801	9003347	
00D6089	00D8171	0004913	9003647	
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00D6091	00D8175	0033103	9166002	
00D6092	00D8179	0043026	9183001	
00D6093	00D8181	0047035	000S176	
00D6094	00D8183	0049162	00D1941	
00D6096	00D8835	0089141	00D5097	
00D6097	00D8836	0095138	0020055	
00D6100	00D9084	0103068	0020057	
00D6103	00D9091	0143058	0020059	
00D6104	00D9094	0161017	0020060	