

**Review: 4385
Statewide Single Audit
Year Ended June 30, 2011
Department of Children and Family Services**

FINDINGS/RECOMMENDATIONS – 9

Repeated – 6

Accepted – 2

Implemented – 4

Not Accepted – 3

11-38. The auditors recommend DCFS properly report federal awards passed through to subrecipients and implement on-site monitoring procedures to review compliance requirements administered by subrecipients of its federal programs. (Repeated-1999)

Findings: DCFS did not make required communications or perform fiscal and administrative on-site monitoring procedures for subrecipients who receive awards under the TANF Cluster, Foster Care, and Adoption Assistance programs.

During testwork over the subrecipient monitoring compliance requirement for these programs, auditors noted DCFS determined that organizations previously identified as subrecipients should be considered vendors because the initial eligibility determinations for children served under these programs are performed by the State. However, the nature of the services provided by these organizations goes beyond those provided in a vendor relationship. These organizations assist the State in complying with program requirements relative to the allowability of costs and the continuing eligibility of program beneficiaries.

As a result of this determination, DCFS did not identify the amounts passed through to these entities, which exceeds \$64.5 million, as subrecipient expenditures on the State's schedule of federal awards or in award communications to these organizations. DCFS also did not perform fiscal and administrative on-site monitoring procedures over the programs operated by these organizations.

In discussing these conditions with DCFS officials, they stated that they continue to conduct on-site monitoring of the substitute care providers who receive payments under the Foster Care, Adoption Assistance and TANF programs. During FY10, the definition of subrecipient in OMB Circular A-133 was reviewed and the Department determined that Title IV-E providers had the characteristics indicative of a vendor rather than a subrecipient. The Department has not ceased its responsibility to monitor either subrecipients or purchase of care vendors. All substitute care providers are regularly monitored by program monitors. Where the subrecipient relationship continues to exist, providers are notified of federal pass-through funding and A-133 reports are required using A-133 criteria.

Where purchases of care vendor relationships take place, providers are notified and required to submit audit reports and cost reports which are desk reviewed and appropriate follow-up is conducted. The annual audit package contains reports and findings issued by licensed accountants with professional credentials to review recipients of federal funding. All purchase of care providers are also evaluated using risk criteria and when requested by management on-site visits are conducted.

Response: The Department disagrees with the finding. However, the federal agency, ACF, has been discussing this and other single audit findings that have resulted in anything but an unqualified audit opinion on a national level. One recurring issue in several states is the subrecipient finding. Washington wants to address these major findings that have recurrence in multiple states so there is a clear decision that will not be questioned by States, auditors or other federal agencies. The Department has been told that a decision will be forthcoming in the next months and the Department will make changes, if necessary, to comply with the federal decision.

The Department's policy is that on-site fiscal and administrative reviews should include procedures that consider all compliance requirements direct and material to the programs funded by the Department and to ensure compliance with contract program plan requirements established for the services approved and being obtained for children. The Department has developed and implemented procedures to address A-133 Findings noted in the subrecipients' OMB Circular A-133 reports and to address findings and management letter comments noted in purchase of care vendor audit reports. Additional follow up is conducted for each financial finding, programmatic findings are referred to the appropriate division for follow up, and a Decision Memo is issued.

The desk review, which is the annual review of audited financial statements, OMB A-133 audits, and related reports from the provider's independent CPA's (annual audit package), is the principle basis for the fiscal monitoring of sub-recipients and purchase of care vendors. The annual audit package contains reports and findings issued by licensed accountants with professional credentials to review recipients of funding provided by DCFS. Audit packages are received from all providers/agencies that receive over \$150,000 during the State's fiscal year. Over 200 providers/agencies are required to submit the annual audit package, and a desk review is performed on all annual audit packages required to be submitted. The desk review program is the most effective and cost efficient method for DCFS to monitor subrecipients and purchase of care provider activities, and provide reasonable assurance that the provider administers programs in compliance with State and federal requirements as well as the Plan of Care which is a part of the Department's contract with the provider.

On-site reviews are also used when the assessment of risk so indicates the necessity, and staff resources are available. The majority of reports received do not contain major issues and DCFS case management providers do not make client or service eligibility determinations which if they did would be the primary cause for ineligible services. Further, the DCFS foster care and adoption programs are state programs, some of which

may qualify for federal reimbursement. DCFS foster care and adoption providers serve all clients referred by DCFS without regard or knowledge of federal program eligibility. Those providers selected for field visits are generated from the desk reviews completed in the prior year that have notable negative issues. Auditors contact the Department's programmatic monitors and the licensing representatives to discuss and share any potential problems at providers to aid in the scheduling of on-site visits, and prioritize on-site audit activities.

Future schedules for on-site fiscal reviews will prioritize visits to agencies not previously visited, or visited years ago. The ability of DCFS to conduct more on-site visits each year is dependent upon the Department's ability to hire additional staff, and implement improvements in efficiency. Staff size is dependent on the State's financial position. Proposals to improvements in efficiency must be developed and evaluated in the field and this process is continuing. Additionally, following receipt of information from the Department's OIG and the Governor's Office of Executive Inspector General regarding a former Director and one of the former providers contracted by DCFS, the Department conducted an audit of one specific provider. That audit identified issues that were the basis for changes to monitoring procedures and regular provider reporting practices. The Department is further assessing the issues identified and plans to recommend additional steps to improve its fiscal monitoring of providers. Corrective action has been taken to close all gaps in internal control that allowed this instance of fraud to incur including:

- Implementation of Grant Recoveries Act requirements
- Quarterly Monitoring of program expenditures compared to budget
- Quarterly Monitoring of program metrics
- Quarterly Monitor of Provider key Financial indicators
- Continuous Monitoring of Program monitors site visits.

Auditors' Comment: As discussed in the finding above, DCFS determined amounts previously reported as subrecipient expenditures were vendor payments. As a result, DCFS did not identify the amounts passed through to these entities as subrecipient expenditures on the State's schedule of federal awards or in award communications. DCFS notes in their response that they have continued to perform a review of OMB Circular A-133 reports and perform programmatic procedures; however, since these organizations are not considered subrecipients they are not required to have audits performed in accordance with OMB Circular A-133 and we were unable to obtain a population of expenditures for testwork. Finally, consistent with the prior year, DCFS did not perform fiscal monitoring procedures.

11-39. The auditors recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure adequate background checks of prospective adoptive parents exist for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed. (Repeated-2005)

Findings: DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

In order to be eligible to receive benefits under the adoption assistance program, the child must have been removed from the home of a relative either pursuant to a voluntary placement agreement or a judicial determination that remaining in the home is contrary to the welfare of the child, the child must be under the age of 18, and the State must have determined that the child has met certain criteria which may preclude the adoption of the child without adoption assistance benefits.

During testwork of 65 Adoption Assistance beneficiary payments, auditors reviewed case files for compliance with eligibility requirements and for the allowability of related benefits paid and noted documentation could not be located to support certain eligibility criteria. Specifically, the case file for one beneficiary (with a sampled assistance payment of \$445) did not contain documentation supporting a criminal background check and child abuse and neglect registry check were performed on the prospective adoptive parents.

In discussing these conditions with DCFS officials, they stated that documentation for the original background check was either misplaced or not placed in the case file. Since this case was opened a number of years ago, it is not possible to re-create misplaced documentation.

Updated Response: Implemented. The Department made a claiming adjustment for the federal share of the \$5,338 beneficiary payment amount questioned by the auditor. Additionally, an internal review process was implemented to review all case documentation prior to the finalization of an adoption. A review of the background check results is a part of this process. Periodic reviews are performed on cases which opened prior to the review process was initiated to ensure that the proper documentation is included in the case files.

11-40. The auditors recommend DCFS implement procedures to ensure recertification forms are received in accordance with the State's established process and maintained in the eligibility files for children receiving recurring adoption assistance benefits. (Repeated-2006)

Findings: DCFS did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

During testwork of 65 recurring subsidy payments, auditors noted two case files (with sampled payments of \$4,081) in which DCFS could not locate a recertification form submitted by the adoptive parent within the most recent two-year period.

In discussing these conditions with DCFS officials, they stated that recertification letters are sent out via an automated process. If the first letter is not returned, a second letter is automatically mailed 30 days later. When the second letter was not returned, notification

of these cases was not received in the Post-Adoption Unit for further follow up due to an oversight. Further, DCFS has identified that there is no federal statute or provision requiring annual renewals, recertifications or eligibility re-determinations for title IV-E adoption assistance.

Updated Response: Partially implemented. The Department agreed and conducted further review of the recertification process and implemented additional procedures to ensure reporting to the Post-Adoption Unit and the reporting of follow-up is completed. Additional tasks are in process to assess the changes made to procedures.

11-41. The auditors recommend DCFS review its procedures for verifying that the information included in the child's case files are accurately reflected in the DCFS system to ensure all children for whom foster care benefits are claimed are eligible and payments are accurate. (Repeated-2010)

Findings: DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Foster Care program.

In order to be eligible to receive benefits under the program, a child must meet specific financial and non-financial eligibility criteria. One of these criterion is that the child would be eligible for the former Aid to Families with Dependent Children (AFDC) program.

During testwork of 65 Foster Care beneficiary payments, auditors noted one beneficiary for which the birth date recorded in DCFS' eligibility system did not agree to the beneficiary's birth certificate.

In discussing these conditions with DCFS officials, they stated that the birth date for the child identified in this finding was data entered into the automated case file incorrectly; the correct date and certificate were in the paper file. The data entry error had no effect on the eligibility of the case for the adoption payment. DCFS believes that its existing procedures would have detected the error in the automated system prior to the year the child was no longer eligible for care under the program.

Response: The Department disagrees with the finding in that the data entry error had no impact on eligibility as there was no improper payment made nor was eligibility for the child incorrect for claims for the year. Also, the Department does not believe it would have made an improper payment in the future as it has procedures in place where supervisory reviews, FFP conducted quarterly reviews, and regular case reviews to verify accuracy of data and documentation required to support foster care case payments to detect this type of error especially during the final year of eligibility. The Department agrees that data entered into the automated system should be the same as on the paper documentation.

In addition, trainings are conducted throughout the state to educate the field staff about importance of accurate and complete documentation required in paper case files and in the automated case files.

Auditors' Comment: As stated in the finding above, failure to maintain the correct information within the eligibility system may result in payments to ineligible beneficiaries, which are unallowable costs. Additionally, DCFS was not able to identify the control procedures in place that would have identified this exception prior to the child's 18th birthday.

11-42. The auditors recommend DCFS implement procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement (TSA) or amend the TSA to reflect cash draw request practices.

Findings: DCFS did not perform its cash draws in accordance with the funding technique prescribed by the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the US Department of the Treasury which details, among other things, the funding techniques to be used for requesting federal funds. The TSA requires DCFS to draw funds in monthly installments (on the median day of the month) equal to 1/3rd of the quarterly grant awards for the Foster Care and Adoption Assistance programs. During testwork over cash draws performed for the Foster Care and Adoption Assistance programs, auditors noted DCFS drew funds four times during the year for each program on dates other than the median day of the month. These draws were in varying amounts which is not consistent with the requirements of the TSA.

In discussing these conditions with DCFS officials, they stated that the agency is doing everything necessary to minimize interest liability to the federal government and making draws in compliance with the grant award and the TSA.

Response: Not Accepted. The Department disagrees with the finding; the Department believes it complies with the grant award, the TSA and the provisions of the Cash Management Improvement Act that limit the amount and timing of requests to draw Federal funds to only the amount necessary to meet actual and immediate program needs.

Auditors' Comment: As stated above, the TSA requires DCFS to draw Foster Care and Adoption Assistance program funds using monthly installments (on the median day of the month) equal to 1/3rd of the quarterly grant awards for the Foster Care and Adoption Assistance programs. Our testing identified that DCFS did not perform cash draws on a monthly basis as prescribed by the TSA and DCFS has not amended the TSA to reflect its actual draw practices.

11-43. The auditors recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the Illinois Office of the Comptroller.

Findings: DCFS inaccurately reported federal expenditures to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA). Specifically, auditors noted DCFS improperly reported expenditures made for the Guardianship Assistance program under the Adoption Assistance program.

In discussing this with DCFS officials, they stated this program was previously claimed under the Adoption Assistance program; however, the separate CFDA number assigned by the federal government during FY11 was not communicated to the financial unit.

Updated Response: Implemented.

11-44. The auditors recommend DCFS establish procedures to ensure that providers contracting with DCFS are not suspended or debarred or otherwise excluded from participation in federal assistance programs.

Findings: DCFS did not obtain required certifications that providers were not suspended or debarred from participation in federal assistance programs for the Foster Care and Adoption Assistance Programs.

During a review of 25 providers of the Foster Care and Adoption Assistance program, auditors noted DCFS did not include a suspension and debarment certification. As a result, DCFS did not obtain a certification that these providers were not suspended from participation in federal assistance programs. Additionally, DCFS did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for providers.

In discussing these conditions with DCFS officials, they stated that none of the 25 providers identified were on the debarment list. For the FY11 contract development and negotiation period, DCFS did not file individual agency certifications in the contract files and had no standard procedure or protocol in place at that time to document the inquiries conducted.

Updated Response. Implemented. On May 1, 2011 the Office of Contract Administration (OCA) implemented its federal review protocol to ensure that all of its contracted and known sub-contracted agencies were not suspended or debarred from doing business with the federal government. That protocol outlined how the Data Universal Numbering System (DUNS) number of its contracted providers is located and status verified on the Central Contractor Registration Screen (CCR). OCA has completed the DUNS review for all of its contracted agencies and sub-agencies for Fiscal Year 2012 (FY'12). In addition, the FY'12 Contract (Boilerplate) require all contracted vendors to list their DUNS Identification Number, if applicable, prior to submittal of the signed contract. Beginning with the FY13 contract cycle, the Department's process was changed to verify with the new federal SAM system (System for Award Management) for both the CCR information and the Excluded Party Listing information. That new federal system became operational in July 2012.

11-45. The auditors recommend DCFS implement procedures to ensure all financial reports are submitted within the established deadlines. (Repeated-2010)

Findings: DCFS does not have a process in place to ensure financial reports are prepared and submitted within required timeframes for the Foster Care and Adoption Assistance programs.

During testwork over two financial reports required to be submitted for the quarters ended September 30, 2010 and March 31, 2011, auditors noted the reports tested were submitted 45 and 58 days after the required due dates, respectively.

In discussing these conditions with DCFS officials, they state that DCFS has for the past several years generally requested an extension to the 30-day claim filing requirement. Extensions have been granted by the federal agency even though no communication has ever been received from the federal agency stating the extensions are not or would not be approved in the future. Due to the volume of data and data sources that are needed to compile the IV-E claim, some data sources simply are not ready by the end of the 30-day period.

Updated Response: Implemented. DCFS began filing claims within 30 days of the end of each quarter. Adjustments are made in the claim filed in the subsequent quarter.

11-46. The auditors recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with federal requirements. (Repeated-1999)

Findings: DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries. The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody.

During a review of 40 case files selected for testwork, auditors noted 18 of the initial case plans were completed within a range of two to 128 days over the 60-day federal requirement.

In discussing these conditions with DCFS officials, they state that 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 prepared within the established timeframes.

Response: The Department agrees and continues to stress the importance of adequate and timely documentation for child case files through training and communications to all

case staff. In addition, an upcoming SACWIS 5.0 release and the “decoupling” of finalizing the service plan from completion of the integrated assessment which requires more time to complete. By not waiting until the integrated assessment is completed is expected to improve timing of completion of the initial case plan to meet the federal requirement. Trainings will be used to remind case staff of the importance and need for timely completion of the initial case service plan. Through regular and reinforcement trainings, we stress the importance of adequate and timely case planning as a key component of providing quality service to children.