Review: 4499
Statewide Single Audit
Year Ended June 30, 2018
Department of Children and Family Services

FINDINGS/RECOMMENDATIONS – 10
Repeated – 9

Implemented – 3
Accepted and Partially Implemented – 5
Accepted – 2

18-28. The auditors recommend DCFS review its current process for reporting adjustments and implement procedures to ensure the adjustments claimed for the Foster Care and Adoption Assistance programs are properly determined and supported. DCFS should also consider implementing additional monitoring controls to ensure the adjustments are reported in accordance with program requirements. (Repeated-2016)

Finding: DCFS does not have an adequate process for supporting adjustments to the Title IV-E claiming report.

DCFS is required to submit quarterly financial reports (CB-496) for both the Foster Care and Adoption Assistance programs, which include information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports. Increasing and decreasing adjustments to amounts previously claimed are required to be reported on a gross basis and supported by eligibility determinations or documentation that provides the basis for the adjustment.

During the year ended June 30, 2018, DCFS identified and reported 79 increasing and 99 decreasing adjustments to the Foster Care program. DCFS also identified and reported 25 increasing and 36 decreasing adjustments to the Adoption Assistance program. Increasing and decreasing adjustments reported on quarterly claims pertaining to the year ended June 30, 2018 totaled as follows:

	Foster Care		Adoption Assistance	
Quarter Ended	**Increasing**	**Decreasing**	**Increasing**	**Decreasing**
September 30, 2017	$7,652,356	$4,437,025	$17,837	$346,854
December 31, 2017	8,883,995	747,697	216,114	179,117
March 31, 2018	3,654,900	2,312,925	63,621	40,178
June 30, 2018	5,340,974	3,515,885	233,912	737,589

During testwork over adjustments to the Foster Care and Adoption Assistance programs reported on quarterly claiming reports filed during the year ended June 30, 2018, the auditors noted DCFS did not properly report adjustments on a gross basis for all 12 adjustments tested. Specifically, auditors noted three increasing Foster Care adjustments (totaling $14,354), six decreasing Foster Care adjustments (totaling $14,780), two increasing Adoption Assistance adjustments (totaling $1,280), and one decreasing Adoption Assistance adjustment (totaling $7,286) sampled in testing included both debit and credit transactions. Accordingly, increasing and decreasing adjustments reported by DCFS are understated because they are reported net.

Additionally, testing of 40 individual adjusting transactions (totaling $62,162), DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing transaction totaling $1,019 sampled from a decreasing adjustment (of $7,286) for the Adoption Assistance program.

In evaluating DCFS's process for identifying and documenting adjustments made to its quarterly claims, auditors noted DCFS has not implemented adequate supervisory reviews or other monitoring controls to determine if the adjustments being made are complete, accurate, and properly supported.

In discussing these conditions with DCFS officials, they stated system limitations prevent the Department from segregating positive and/or negative adjustments as required.

<u>Response:</u> Accepted. The Department agrees with this recommendation. Although improvements have been made to our federal claiming system, additional system changes are required to enable the Department to separately report increasing and decreasing adjustments on a gross basis as required. This is a significant change to the current system and will be completed as resources become available. The Department will continue to review and improve its monitoring controls to ensure adjustments to its quarterly financial reports are properly supported by adequate file documentation

<u>Updated Response:</u> Accepted. To modify the claim preparation software (CARS) to accept detailed maintenance claim information now stored in SQL databases (which now allows DCFS to more easily provide the details of any maintenance adjustment) to report the net negative and net positive adjustments separately by quarter on the CB 496 Part 2.

18-29 The auditors recommend DCFS implement procedures to ensure the provider licensing files are complete, including documentation that all required background checks have been performed and documentation that verifies safety considerations with respect to foster family homes and the staff of child-care institutions has been properly addressed. Additionally, auditors recommend DCFS evaluate its process for ensuring providers are properly licensed and meet program requirements prior to placing Foster Care beneficiaries in their care and claiming payments to these providers for federal reimbursement. (Repeated-2016)

Finding: DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers.

The objective of the Foster Care program administered by DCFS is to provide safe, appropriate, substitute care for children in Illinois in need of temporary placement and care outside their homes. DCFS, as the State foster care licensing authority, is required to ensure foster family homes or child care service providers are fully licensed, which includes ensuring the required background checks have been performed and the safety considerations with respect to child-care institution staff have been addressed.

During testwork of 50 Foster Care maintenance assistance payments (totaling $64,367), auditors reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid. Auditors noted the licensing files for 36 foster care beneficiary payments sampled (totaling $35,664) related to 22 child care service providers and 1 foster family home did not contain documentation that verified the safety considerations with respect to staff of the institution had been addressed. Specifically, required background clearances were not obtained for all staff members. DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling $247,473 during the year ended June 30, 2018.

As of the date of testing, DCFS had not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, auditors noted DCFS did not follow its established procedures for ensuring foster care providers were properly licensed prior to claiming Foster Care maintenance payments. Additionally, monitoring controls were not established to ensure licensing procedures were being followed. Foster care maintenance payments during the year ended June 30, 2018 totaled $69,602,000.

In discussing these conditions with DCFS officials, they stated that high employee turnover in their provider community, combined with limitations of their current licensing tracking system, makes it difficult to monitor completeness of provider files related to newly-hired staff who are awaiting background clearances.

Updated Response: Implemented.

1) Licensing continues to utilize a monthly review process of background check clearances data to ensure compliance and information updated timely
2) Licensing continues to review background check data and conditional statements quarterly with licensed child welfare agencies/ facilities to ensure compliance
3) Mock audit reviews occur quarterly where sample licensed child care facilities files are identified and reviewed for compliance

Since the last audit, Licensing has maintained substantial compliance with updated background checks and licensing files. Timely submission of required information from the licensed agency often impacts compliance.

18-30. The auditors recommend DCFS implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner. Additionally, DCFS should evaluate its internal controls and identify the additional procedures necessary to ensure the retirement contribution rates and other fringe benefit rates used to determine costs to be allocated through the PACAP are accurate and consistent with those approved by SERS and DCMS and employee benefit elections. (Repeated-2017)

Finding: DCFS does not have adequate controls in place over retirement fringe benefit rates used to determine costs to be allocated through the Public Assistance Cost Allocation Plan (PACAP).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

As a result of the change in the employer retirement contribution rate calculated by SERS and communicated to each State agency by Public Act 100-0023 as described above, DCFS received communication from SERS on June 25, 2018 that a refund in the amount of $362,060 would be made to the agency for the excess contributions made for the period from November 16, 2017 through January 15, 2018. A warrant dated August 24, 2018 was received from the IOC and was deposited by DCFS on September 26, 2018.

Adjustments were not reported to the US Department of Health and Human Services or refunded to the major programs administered by DCFS during the year ended June 30, 2018.

Additionally, during review of 25 employee payroll expenditures (totaling $99,203) and related fringe benefit charges (totaling $60,813) allocated to DCFS's federal programs during the year ended June 30, 2018, auditors noted retirement benefits charged were not consistent with rates approved by SERS. Specifically, auditors noted the following errors:

- The retirement fringe benefit charges for one employee during the lapse period (pay period June 16-30, 2017) were calculated using a higher percentage than the approved percentage established by SERS. Upon further review, auditors noted the retirement fringe benefit rate was improperly used for 2,011 transactions resulting in overcharges of $106,515.

- The retirement fringe benefit charges for eleven employees during FY18 were calculated using a higher percentage than the approved percentage established by SERS, which resulted in costs of $2,669 being overcharged for the eleven employees sampled. Upon further review, auditors noted the retirement fringe benefit rate was improperly used for 29,985 transactions resulting in overcharges of $6,353,374.

Auditors also noted instances in which the health and dental rates used by DCFS were inconsistent with the benefit elections made by employees.

In discussing these conditions with DCFS officials, they stated fiscal year 2018 retirement rate change was not communicated to those responsible for calculating the retirement benefit portion of the federal claim. The other errors were data entry errors related to health and dental benefit costs and an oversight utilizing the wrong fiscal year retirement rate when calculating the fiscal year 2017 lapse payroll retirement rate.

Updated Response: Implemented.

1. DCFS has enhanced its insurance benefit calculation application to include automated balance checks to improve its accuracy of those benefit calculations.
2. DCFS management with knowledge of the SERS retirement rates is reviewing quarterly reports to ensure the proper retirement rates are used for the retirement benefit calculations.

We are not anticipating a repeat finding in FY19. Our solution is dependent on individual employees to identify and correct errors on a timely basis. With the number of employees at DCFS to monitor, there will always be a risk that we miss a change in benefits. But we believe the procedures put in place will catch all material reporting errors.

18-31. The auditors recommend DCFS implement procedures to ensure payments made to adoptive parents are only on behalf of eligible children in the continued care of their adoptive parents. Additionally, auditors recommend DCFS implement procedures to ensure information communicated by adoptive parents is tracked and case records and benefit payments are updated for any information impacting eligibility.

Finding: DCFS does not have adequate procedures to reasonably ensure adoptive children for which adoption assistance subsidies are paid are in the continued care of their adoptive parent(s).

During testwork of 50 adoption assistance beneficiary payments (totaling $37,639), auditors noted 19 adoption assistance payments paid prior to January 29, 2018 (totaling $16,194) for which DCFS could not locate a recertification form submitted by the adoptive parents within the most recent 12-month period. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $65,025 during the year ended June 30, 2018.

In addition, auditors noted DCFS has not made any changes to its forms or procedures relative to the DCFS policy guide change. DCFS has not established procedures to track recertification forms returned by adoptive parents and were unable to determine if any forms had been returned by adoptive parents. Accordingly, DCFS personnel could not provide evidence that any recertification forms returned by adoptive parents had been reviewed or that the reported updates were made to the child's case record. Adoption subsidies paid during the year ended June 30, 2018 totaled $61,631,000.

In discussing these conditions with DCFS officials, they stated changes were not made to the Rule and to the relevant form letters in a timely manner.

Response: The Department agrees that prior to January 29, 2018 we did not receive all signed recertification forms back from the adoptive assistance participants, as required by our department's policy. This internal control was deemed ineffective by the department, as the federal government stated that we could not require the return of this form, and we could not deny payment when it was not received. This led to our January 29, 2019 policy change.

The Department agrees that DCFS should have internal controls to reasonably ensure adoptive assistance children are in the continued care of their adoptive parent(s). Our current processes include:

- Legalese within the adoptive assistance contracts that states the adoptive parents/guardians are contractually responsible for notifying the department if the adopted child's status changes.
- The department tracks those children "aging out" of the program to determine if the youth is eligible for the subsidy to continue beyond age 18.
- The system tracks children's placement using unique identifiers. This prevents ongoing payment of a subsidy if a child disrupts from guardianship/adoption back into foster care.
- And recently added, letters are mailed out on the annual anniversary of each adoptive assistance initiation date, requesting that the adoptive assistance participants return the letter if the child's status has changed.

The Department will continue to tighten up its internal controls to reasonably ensure adoptive assistance children are in the continued care of their adoptive parent(s).

Updated Response: Implemented. The adoptive parent is responsible for notifying the post-adoption unit if the status of the child has changed. Upon receipt of such notification, the post-adoption specialist assesses the change of status and initiates closure of the subsidy case, if warranted. Each child's unique identifier flags the case if a child with an open subsidy case comes back into care and the subsidy case is closed at that time. Adoptive parents are sent an annual reminder of the need to notify post-adoption of changes.

18-32. The auditors recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure supporting documentation for all

eligibility requirements is maintained. Additionally, auditors recommend DCFS evaluate its process for verifying eligibility requirements are met and adequately documented and implement additional procedures to ensure established procedures are followed. (Repeated-2016)

<u>Finding:</u> DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

During testwork of 50 Adoption Assistance beneficiary payments (totaling $37,639), auditors noted the following:

- For one adoption assistance payment (totaling $409), DCFS was unable to provide the original case file. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling $4,908 during FY18.
- For one adoption assistance payment (totaling $445), DCFS could not locate the Child Abuse and Neglect Tracking System and/or Sex Offender Registry background checks for at least one adoptive parent or member of the household over the age of 13. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $5,338 during FY18.

As of the date of testing, DCFS had not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, auditors noted case record documentation is maintained in several locations, including with third party contractors, and can be difficult for DCFS to locate. Additionally, adequate monitoring controls have not been established to ensure eligibility requirements were met and adequately documented in accordance with established procedures.

In discussing these conditions with DCFS officials, they stated insufficient resources as the cause for these errors.

<u>Updated Response:</u> Accepted and Partially Implemented. DCFS is looking forward to a secure Electronic Document Management/Storage system that will be able to maintain documentation of adoption cases more efficiently than current paper files. However, in the interim, improvement in case file documentation was implemented in FY10 when the necessary evidence from the foster care files were duplicated and brought forward into the adoption file. Adoption cases finalized prior to FY10 may still require the Department to pull the archived foster care case.

18-33. The auditors recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC. (Repeated-2017)

<u>Finding:</u> DCFS did not perform its cash draws in accordance with the funding technique prescribed in the Treasury-State Agreement (TSA). Additionally, DCFS did not accurately report Federal expenditures under its major programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to DCFS's financial records. Specifically, auditors noted the following differences for FY18.

Program	Federal Expenditures per DCFS's Records	Federal Expenditures Reported to the IOC	Difference
Adoption Assistance	$80,104,000	$81,096,000	$992,000
Foster Care	194,744,000	197,736,000	2,992,000

Although the differences identified 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 the audit process, as discussed in finding 2018-001. Accordingly, any error which may be material to the SEFA (in quantitative or qualitative terms) could occur and not be detected by the State.

In discussing these conditions with DCFS officials, they stated Department personnel inaccurately applied prior period adjustments to the expenditure calculations for the SEFA.

Response: Accepted. The forms used by the State to capture DCFS' expenditures for the SEFA are not designed to represent cash basis expenditures as per the reporting requirements of the SEFA. DCFS will work with parties involved with compiling information for the SEFA to ensure the Department's expenditures are properly reported.

Updated Response: Accepted and Partially Implemented. DCFS will provide GOMB a reconciliation and/or a separate SEFA that represents the actual expenditures reported on our quarterly CB-496 forms submitted to the federal government. GOMB will be able to use this information when compiling the SEFA for the State of Illinois.

The State of Illinois has used information submitted on various GAAP forms submitted to IOC as part of the annual GAAP reporting process. These forms were designed for the specific purpose of GAAP reporting and expenditure information submitted by DCFS on these forms routinely contains adjustments that should not be included for the SEFA.

Please note, to fully correct this finding we require assistance from GOMB. DCFS does not complete the statewide SEFA. Through FY18, the SEFA was compiled by the OAG based on GAAP forms SCO-563, SCO-567 and SCO-568. These forms do not report expenditures on a cash basis and there was no mechanism in place to report/adjust the GAAP reported expenditures. GOMB is compiling the SEFA in FY19 going forward. They understand the deficiencies and are putting procedures in place to capture the cash basis expenditures by program. DCFS has provided the information to report our cash basis expenditures on the SEFA, but since the SEFA is being put together by another agency, I am not certain their procedures have been put in place yet. The auditors have not indicated that this is a PAF – but they are not finished with their fieldwork – and I have not received a copy of the SEFA from GOMB to review.

18-34. The auditors recommend DCFS implement procedures to ensure access to its information systems is adequately secured and terminated users are removed from applications and the mainframe in a timely manner. (Repeated-2012)

<u>Finding:</u> DCFS does not have adequate access review controls over information systems used to document beneficiary eligibility determinations, to record program expenditures, and to identify amounts to be claimed under federal programs.

During testwork of DCFS's controls over user access to the federal claiming system applications, auditors noted eight terminated users still appeared on the active user listing for the mainframe. There were 318 terminated users during the year ended June 30, 2018.

In discussing these conditions with DCFS officials, they stated the process of sending the list of users monthly for review by the owner of the system did not get transferred during a personnel change.

<u>Response:</u> Accepted. The Department is implementing automated access review report generation, notification and tracking to ensure that reviews are sent out and progress towards completion and timeliness is documented. If a review has not been completed after three months of the initial notification senior management will be notified.

<u>Updated Response:</u> Accepted and Partially Implemented.

1. The Office of Information Technology Services (OITS) personnel will create a query to select all terminations from the DCFS OES system each week and forward them to the DCFS Helpdesk to create and assign tickets to disable accounts.
2. OITS personnel will copy mainframe access review reports to a network database. A network-based system will be created to distribute the reports to the assigned Data Steward with an email notification.
3. The system will maintain a last review indicator with follow up emails each month. An escalation report will be distributed to senior management if access has not been reviewed in 3 months.

There is an Enterprise Service Request (ESR) for this corrective action plan. The Office of Information Technology Services (OITS) team is working on building a new screen that will allow data stewards to complete their mandated reviews, track when/if they complete them, as well as a new job to send out monthly reminders to the data stewards if they have reviews to complete.

18-35. The auditors recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA or amend the TSA to reflect DCFS's cash draw request practices. (Repeated-2016)

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

During testwork over monthly cash draws performed for the Foster Care and Adoption Assistance programs during the year ended June 30, 2018, auditors noted 9 draws for each program in which funds were not drawn for receipt on the median business day of the month. These draws were performed on dates such that the Federal funds would be deposited between 7 days prior to and 11 days subsequent to the median business day of the month during the year ended June 30, 2018. Specifically, DCFS did not perform cash draws timely for the following months.

Month	Median Business Day (MBD)	Date Requested by DCFS on PMS	Expected Settlement Date	Number of Days (Prior to) or Subsequent to MBD
August	8/15/17	8/16/17	8/17/17	2
October	10/16/17	10/16/17	10/17/17	1
November	11/15/17	11/15/17	11/16/17	1
January	1/16/18	1/16/18	1/17/18	1
February	2/15/18	2/7/18	2/8/18	(7)
Month	**Median Business Day (MBD)**	**Date Requested by DCFS on PMS**	**Expected Settlement Date**	**Number of Days (Prior to) or Subsequent to MBD**
March	3/15/18	3/15/18	3/16/18	1
April	4/16/18	4/26/18	4/27/18	11
May	5/15/18	5/10/18	5/11/18	(4)
June	6/15/18	6/9/18	6/12/18	(3)

In discussing these conditions with DCFS officials, they stated the February draw was done early due to fears over a federal government shutdown. Delays in the drawdown in April, May and June were due to a transition in staffing. The other draws were within one (4 months) or two days (1 month) of the median business day and were due to daily job priority scheduling.

Response: Accepted. The Department has shown improvement reducing the total variant days from 54 FY17 to 31 in FY18. The Department will continue to review its procedures to ensure compliance with the TSA.

Updated Response: Accepted and Partially Implemented. DCFS procedures require cash draws to be completed per the Treasury-State Agreement.

The process to draw funds from the federal government cannot be automated. In order to maintain proper controls over the draw and maintain adequate segregation of duties and management review, only a small group of people can perform the draw. Planned or unplanned absences and other priorities can affect the actual date the funds are drawn.

We continued to show improvement in meeting our TSA negotiated draw dates, but we missed our draw date by 1 day 4 months and by 2 days for 2 months. DCFS anticipates will receiving a PAF for FY19.

18-36. The auditors recommend DCFS implement procedures to ensure cash reconciliations are performed and reviewed in a timely manner throughout the year. (Repeated-2014)

Finding: DCFS does not have an adequate process to reconcile its cash balances in a timely manner to the records of the Illinois Office of the Comptroller (IOC).

During testwork over the monthly cash reconciliation process, auditors noted DCFS did not prepare monthly reconciliations of its cash balances to the IOC's records on a timely basis during the year ended June 30, 2018. Additionally, supervisory reviews of the monthly reconciliations were not consistently completed on a timely basis. Specifically, auditors noted the following during review of all 12 monthly reconciliations:

- Four monthly reconciliations were not prepared in a timely, ranging from 29 to 78 days after month end.
- Four monthly reconciliations were not reviewed ranging from 41 to 82 days after month end.
- Four monthly reconciliations did not contain a signature or date to evidence completion of a supervisory review.

In addition, auditors were unable to determine when one reconciliation was completed and reviewed by DCFS personnel as the dates documented for these activities were 18 and 17 days prior to the month end.

In discussing these conditions with DCFS officials, they stated that during the examination period the Department was involved with the planning and implementation of a new accounting system (SAP) and availability of staff due to constantly shifting priorities prevented the timely completion of reconciliations.

Response: Accepted. The Department will continue to look at ways to improve its processes to ensure timeliness and accuracy of reconciliations.

Updated Response: Accepted. The automated reconciliation application used in previous years is no longer working and the Department recently received a commitment from its information technology division to first repair the existing application and secondly develop a more sustainable application moving forward. The Department is negotiating with a current vendor to expand their services to get us up to date on our FY20 reconciliations and to assist DCFS with designing and implementing a sustainable reconciliation process to ensure reconciliations are completed timely.

18-37. The auditors recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal and State requirements. (Repeated-1999)

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

During a review of 40 case files selected for testwork, auditors noted seven of the initial case plans were completed within a range of four to 87 days over the 60-day federal requirement, and nine of the initial case plans were completed within a range of 1 to 102 days over the 45-day State requirement.

In discussing these conditions with DCFS officials, they say there are many factors that appear to be contributing to ongoing problems in this area, including staff turnover, vacancies, and delays due to case workers waiting for the results of Integrated Assessments prior to completing initial service plans.

Updated Response: Accepted and Partially Implemented. The Department continues to be under a Program Improvement Plan (PIP) for the Child and Family Services Review (CFSR); we are working to be compliant with this requirement. The Department continues to have a work group to streamline the Service Plan processes with a family, as well as within IT. The Department is under new leadership, which reflects deputy oversight of the division of permanency now. A plan for training of the field, and implementation of local improvement plans and measures is underway to improve in this area. Agency performance will also be used to assist in this regard.