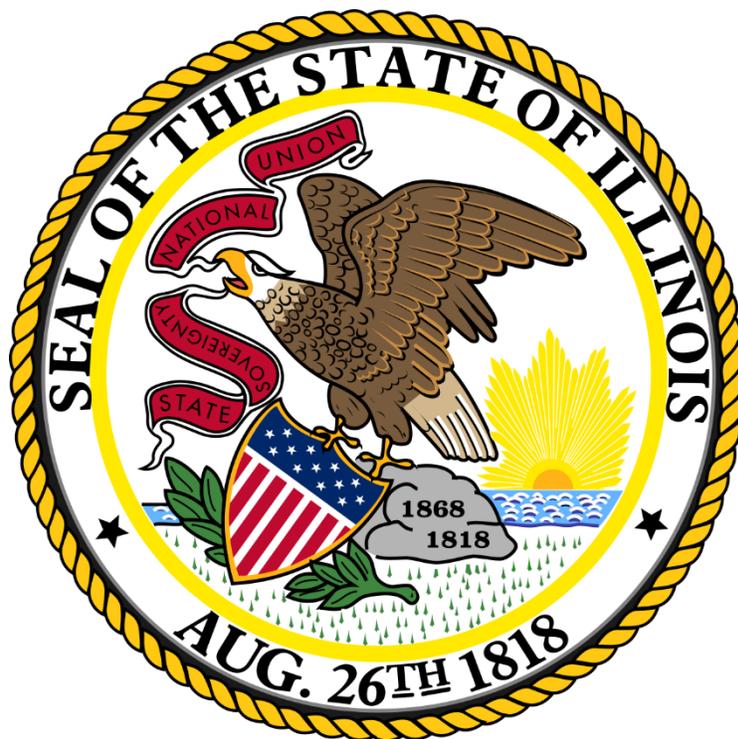


LEGISLATIVE AUDIT COMMISSION



Review of
Department of Healthcare and Family Services
Two Years Ended June 30, 2021
620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

**REVIEW: 4549 & 4550
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
TWO YEARS ENDED JUNE 30, 2021**

**RECOMMENDATIONS – 27
PARTIALLY IMPLEMENTED - 13
IMPLEMENTED – 14
REPEATED RECOMMENDATIONS – 18
PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 26**

This review summarizes the auditors' report of the Department of Healthcare and Family Services for the two years ended June 30, 2021, filed with the Legislative Audit Commission on July 6, 2022. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

The Department of Healthcare and Family Services (HFS), formerly the Department of Public Aid, was officially renamed July 1, 2005. HFS is responsible for providing health care coverage for adults, children, seniors and the disabled; helping to ensure that Illinois children receive financial support from both parents by establishing and enforcing child support obligations; and effective management of healthcare purchasing.

Agency Narrative:

HFS is committed to empowering Illinois citizens to lead healthier and more independent lives through providing quality healthcare coverage for children, parents, seniors, and persons with disabilities and establishing and enforcing child support obligations.

HFS is the designated single state Medicaid agency in Illinois.

Divisions:

Child Support Services

The Division of Child Support Services (DCSS) serves families composed of Temporary Assistance to Needy Families (TANF) clients, Medical Assistance No Grant (MANG) clients, and any other Illinois resident requesting child support services (Non-Assistance (N/A) clients). The division helps to establish paternity, locate noncustodial parents, establish child support through judicial or administrative processes, and enforce child support orders through income-withholding orders; unemployment benefit intercepts; federal and state tax intercepts; real and personal property liens; denial of passports; suspension of drivers', hunting, and fishing licenses; and other lump-sum intercepts. DCSS also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF, MANG, and N/A cases receiving these services are known as Title IV-D cases. The division also processes non-Title IV-D cases through the State Disbursement Unit (SDU). For FY21, DCSS collected and disbursed almost \$1.2 billion in total child support. Total collections include both Title IV-D and non-Title IV-D collections made to the SDU.

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Medical Programs

The Division of Medical Programs is responsible for administering the medical assistance programs under the Illinois Public Aid Code, the Children's Health Insurance Program Act, the Covering All Kids Health Insurance Act, the Veterans Health Insurance Program Act, other provisions of state law, and Titles XIX and XXI of the federal Social Security Act.

Program Goal:

The program goal is to improve the health status of individuals enrolling in the Medical Assistance program, while simultaneously containing costs and maintaining program integrity.

Evaluation of Performance/Activity Measures:

The average monthly count of enrolled individuals for which HFS provided medical coverage was over 3.16 million, including pregnant women, infants, children, parents and caretaker relatives, adults with no minor children in the home, seniors, people with disabilities, persons with breast and cervical cancer, and employed people with disabilities. Licensed practitioners, hospital and nursing facilities, and other medical and dental professionals enrolled with the department provided these medical services. The Medicaid reform law, Public Act 96-1501, adopted by the Illinois General Assembly in 2011, mandated that 50% of all Illinois Medicaid clients be in coordinated care by January 1, 2015. HFS has completed the rollout of mandatory care coordination programs for most Medicaid-only clients statewide and for the dual-eligible (Medicaid and Medicare) population in the two demonstration areas for the MMAI program. Through these programs, HFS has surpassed the 50% goal required by this law, with an enrollment of over 2.2 million clients in care coordination programs.

Accountability:

Although providing access to quality healthcare is the overriding mission of HFS, it is also critical to perform this function in the most cost-effective and efficient manner. Two performance indicators have been selected to measure one aspect of this effectiveness: Cost-avoidance is a strategy recognized by the Centers for Medicare and Medicaid Services and is devised to make Medicaid the payer of last resort. Cost-avoided dollars are Medicaid savings, realized through the discovery of a private payer responsible for medical bills of medical assistance participants. HFS saved the taxpayers of Illinois \$798 million in FY20 and \$870 million in FY21.

Office of Inspector General:

The mission of the Office of Inspector General (OIG) is to prevent, detect, and eliminate fraud, waste, abuse, misconduct, and mismanagement in the Medicaid programs administered by HFS, DHS, and the Department on Aging. The OIG combats fraud, waste, and abuse by implementing innovative Medicaid fraud prevention and detection techniques, conducting client eligibility investigations, performing Medicaid client fraud investigations, restricting clients who abuse their benefits, conducting post-payment audits and Quality of Care reviews of Medicaid providers, and identifying assets that were

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not disclosed by applicants for long-term care. OIG also acts as the liaison with all law enforcement and prosecutorial agencies in the state. The OIG showed cost savings, cost-avoidance, and recoupments of \$143 million in FY20 and \$31 million in FY21. The OIG has averaged \$309 million in savings for the taxpayers over the past four years, and over \$1.64 billion since FY12.

Public Accountability Report:

2021 Medical Programs - Mission Statement: To improve the health of Illinois' children and families by providing access to quality medical care.

Program Goals/Objectives:

1. Improve and maintain access to quality healthcare services.
 - a. Increase the percentage of clients receiving care through managed care organizations.
 - b. Implement Medicaid expansion authorized by the Affordable Care Act (ACA).
2. Continue to improve administrative and analytic capability.
 - a. Continue upgrade of Medicaid Management Information System.
 - b. Continue upgrade of Enterprise Data Warehouse.
 - c. Reduce backlog of Office of Inspector General approvals necessary for long-term care enrollment.
3. Continue to provide more opportunities for rebalancing long-term care services.
 - a. Increase share of long-term support and services expenses on noninstitutional services.
 - b. Make progress on process management steps necessary to implement the Balancing Incentive Program.
4. Maximize revenue and improve cost-effectiveness.
 - a. Increase recoveries of overpayments within the medical assistance programs.
 - b. Maximize federal funding for newly eligible clients under the ACA.

2021 Child Support Services – Mission Statement: Provide services to custodial and noncustodial parents by establishing paternity and establishing, enforcing, and modifying child support obligations to strengthen families emotionally and financially.

Program Goals/Objectives:

1. Establish parentage.
 - a. Increase the percentage of total Title IV-D paternity establishments.
2. Establish support orders.
 - a. Increase the percentage of cases with support orders established.
3. Enforce the noncustodial parent's obligation of support.
 - a. Increase the amount of collections for established support orders.
 - b. Increase the percentage of cases paying toward arrearages.
4. Distribute and disburse child support payments.
 - a. Maintain State Disbursement Unit (SDU) operations.

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	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Projected
Medical	Programs			
Total Expend	\$21.144 Billion	\$24.2 Billion	\$28.7 Billion	\$31.3 Billion
State Funds Exp	\$20.4 Billion	\$23.5 Billion	\$27.7 Billion	\$30.3 Billion
Avg Full-time Employees	754	935	976	1,032
Medicaid enrolled	2.967 million	2.955 million	3.5 million	3.86 million
ACA enrolled	574,000	578,500	712,800	854,900
Adults in med assist program	265,000	262,800	260,300	258,400
Children in med assist program	1.394 million	1.388 million	1.467 million	1.547 million
Seniors in med assist program	215,000	224,300	248,700	280,700
All other adults in med assist prog	516,000	501,600	597,900	679,700
3 rd party liability cost avoided	\$20.6 million	\$23.5 million	\$27.2 million	\$23 million
Clients in managed care	74%	81%	80%	80%
Medicaid fed fin part earn for new ACA clients	\$3.3 Billion	\$4.4 Billion	\$4.5 Billion	\$5.6 Billion
Collect from providers inapprop action	\$20.6 Billion	\$17.96 Billion	\$15.6 Billion	\$14 Billion
Inapprop client claims prevented	\$87.3 Billion	\$125 Billion*	\$14.7 Billion*	\$13 Billion
Child	Support	Services		
Total Expend	\$349.6 million	\$403.9 million	\$458.2 million	\$483.4 million
State Fund Exp	\$174.6 million	\$174.4 million	\$182.1 million	\$234.2 million
Avg Full-time Employees	720	716	732	832
Cases with court orders	69,300	67,400	70,900	69,000
Child support cases w/orders	373,400	354,300	337,700	360,000
Title IV-D cases w/new support orders	31,100	24,700	21,400	25,000
Child sppt w/collect made	240,000	254,700	237,600	260,000
Child sppt arrear	302,500	288,500	269,200	286,000

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	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Projected
Child Support Services Continued				
Case arrear payment collect	180,000	190,300	180,700	191,000
Paternity establish Title IV-D children	79.8%	81%	83%	85%
Title IV-D support order established	84.4%	84%	83%	86%
Title IV-D order receive payment	64.3%	72%	70%	72%
Chld sppt pymt collected	\$1.331 Billion	\$1.33 Billion	\$1.25 Billion	\$1.333 Billion
Chld sppt arrear collected	\$244 million	\$308.9 million	\$279.4 million	\$310 million
Title IV-D collect per case	\$3,250	\$3,300	\$3,331	\$3,400
Title IV-D arrear collect per case	\$1,355	\$1,625	\$1,550	\$1,700
Chld sppt amount due that is collected	62.3%	64%	65%	66%
Collections per \$ of admin expense	\$9.0	\$7.50	\$7.19	\$5.18

*The large drop from FY20 to FY21 is due to asset verification for long term care applications. The indicator also includes recipient restrictions and other fraud prevention activities. FY21 (Inappropriate Client Claims Prevented) is reflective of a reduced amount due to COVID impacting asset verification procedures for long term care activities.

Director Eagleson and HFS Senior Management Team:

Theresa Eagleson has served as Director of the Department of Healthcare and Family Services since January 2019. Immediately prior to her appointment by Governor Pritzker, she was the Executive Director of the Office of Medicaid Innovation at the University of Illinois for four years.

Director Eagleson had previously been the longest serving Medicaid Director in the state's history, from 2007-2014. She has served in policy and administrative positions in state government since 1990, with a concentration in human services and healthcare. Her career included Governor's budget and policy teams under two previous administrations and fifteen years at the Department of Healthcare and Family Services.

Director Eagleson is a founding Board member of the National Association of Medicaid Directors and was elected by her peers to serve two terms. She was also a member of

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the Edgar Fellows Class of 2014. She holds a Bachelor's degree in Economics, as well as a Master's in Business Administration and has a strong foundation in both budget and policy areas.

"HFS means Helping Families Succeed. We're a team of professionals dedicated to providing exceptional service to those who count on us every single day." – Theresa Eagleson

Chief of Staff	Ben Winick
HFS Assistant Director	Jenny Aguirre
Deputy Director of New Initiatives	Jane Longo
Deputy Director of Community Outreach	Kimberly McCullough-Starks
Deputy Director of Human Resources	Terri Shawgo
Special Assistant to the Director	Melissa Black
Director's Assistant, Chicago	Gina Dellamorte
Director's Assistant, Springfield	Jodi Carr
Director's Office Assistant, Springfield	Latashia Johnson
Office of General Counsel	Steffanie Garrett
Inspector General	Brian Dunn
Division of Medical Programs	Kelly Cunningham
Deputy Administrator for Long Term Care	Kelly Cunningham
Deputy Administrator for Eligibility Policy	Vacant
Deputy Administrator for Care Coordination	Robert Mendonsa
Deputy Administrator for Rates and Finance	Dan Jenkins
Medical Director	Arvind K. Goyal
Policy Director	Laura Phelan
Division of Child Support Services	Bryan Tribble (Acting)
Assistant Administrator	Vacant
Division of Finance	Mike Casey
Chief Financial Officer	Gary Casper

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Division of Personnel and Administrative Services	Ruth Ann Day (Acting)
Chief Internal Auditor	Jamie Nardulli
Communications Director	Evan Fazio
Chief Information Officer (DoIT liaison)	Graham Osmonson
Office of Legislative Affairs	Shawn McGady
Strategic Vendor Relationships	Vacant

HFS' primary administrative offices are located:

- 201 South Grand Avenue East, Springfield; and
- 401 South Clinton, Chicago.

The number of employees is summarized as follows (source Governor's Budget Book FY24):

	FY22 Act	FY23 Est	FY24 Target
Program Administration	155	182	215
Office of Inspector General	137	167	167
Child Support Services	744	827	828
Legal Representation	7	11	11
Cost Recoveries	82	111	111
Medical	613	717	806
Total	1,738	2,015	2,138

Appropriations and Expenditures

HFS has the following approp authority from its main funds: GRF, U of I Hospital Services 0136, State Coronavirus Emergency 0324, County Provider Trust 0329, Care Provider for Persons with DD 0344, Long-Term Care provider 0345, Hospital provider 0346, Special Education Medicaid matching 0355, Trauma Center 0397, Public Aid Recoveries Trust 0421, Health information Exchange 0606, Medical Interagency Program 0720, Drug Rebate 0728, Medicaid Buy-in program Revolving 0740, and Healthcare Provider Relief, 0793.

Non-major funds include: provider Inquiry trust 0341, Money Follows the person Budget Transfer 0522, Tobacco Settlement Recovery 0733, Child Support Admin 0757 and Child Support Enforcement Trust 0957.

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	FY20 Expense	FY21 Expense	FY20 HC	FY21 HC
Medical programs	\$23.4 Billion	\$27.7 Billion	935	977
Child Support Services	\$174.4 million	\$182.1 million	716	732
Total	\$23.65 Billion	\$27.87 Billion	1,615	1,709

Federal Assistance

The coronavirus pandemic, declared a state of emergency in 2020, continued to impact HFS. During FY21, the Illinois General Assembly appropriated \$830 million to HFS for distribution to Medicaid providers through the State CARES Pandemic Related Stability Payments Program for Funds Made Available Through the Federal CARES Act (Program). The Department expended \$648 million of the appropriated funds, net of provider returns, to cover provider costs related to the COVID-19 Public Health Emergency.

In FY22, HFS also received COVID-19 funding through the American Rescue Plan Act (ARPA) to assist providers through the COVID-19 Public Health Emergency. In addition, a plan was submitted and approved by the federal government during FY22 for ARPA funding for Home and Community Based Services (HCBS) programs. The plan allows for a 10% enhanced federal match on eligible records with a claim paid date April 1, 2021 through March 31, 2022. The resulting enhanced federal revenue is expected to be utilized from fiscal years 2022 – 2024 to enhance HCBS services.

Operating Leases

HFS leases equipment, buildings, and office space under terms of noncancelable operating lease agreements not extending past the end of the fiscal year that require HFS to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$3.2 million for the year ended June 30, 2021.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90

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days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

In FY21 HFS had 1 small contract for \$50,000 in the 2nd quarter, and 1 small contract for \$23,900 in the 4th quarter.

Accountants' Findings and Recommendations

Condensed below are the 27 findings and recommendations included in the audit report. Of these, 18 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by HFS of, via electronic mail received July 6, 2022.

Notes: Findings #1-6 involve both HFS and DHS. DHS was before the LAC in Spring 2022.

Also, Findings #1-8 are included in both the Compliance Examination and the Financial Audit while findings #9-27 apply to the Compliance Examination only.

- 1. The auditors recommend management of both Departments work together to strengthen controls in the Change Management Plan by including:**
 - **Specific requirements for the prioritization or classification of changes,**
 - **Definitions of the numerical grading for determining impact,**
 - **Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation,**
 - **Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required, and**

- **Requirements for backout plans to return the system to a previous functional version in the event a change moved into production causes undesired results, for individual infrastructure changes.**

FINDING: *(Insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data) – First reported 2017, last reported 2020*

HFS and the Department of Human Services (DHS) (collectively, the “Departments”) had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State’s human service programs.

IES Application Changes Policies and Procedures

The review of the April 20, 2020 IES Change Management Plan (Plan) noted the Plan did not:

- Define the requirements for the prioritization or classification of changes,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

Additionally, auditors noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes.

Testing of IES Application Changes

Due to the Plan’s limitations noted above, the scope of the audit procedures was limited to the Departments’ testing and approval of IES changes prior to placing them into production. Specifically, auditors could not perform testing on other change management control procedures, which would otherwise be typically tested, as they were not included in the Plan.

The testing noted no exceptions during testing of IES application changes.

The Departments’ Change Management Policy and Procedure requires each change to IES have impact scores completed, Departments’ approval of the requirements and

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design documents, Remedy ticket, release notes, and be approved by the IES Bureau Chief to move the change to the production environment.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2017. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Departments' management indicated the change management policies and procedures are in the process of being updated, however they are not yet complete due to other competing priorities.

Failure to establish and adhere to robust internal controls over changes to IES diminishes the Departments' ability to secure IES as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE:

HFS accepts the recommendation. HFS will work with the Department of Human Services to develop policy guidance that strengthens controls.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation. IDHS will review its Change Management policy and procedure to assure that it meets the auditor recommendations. DHS will also review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process and work to develop a documented change backout plan.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS is working with t(DHS) to review its Change Management policy and procedure to assure it meets the auditor recommendations. In addition, HFS is working with DHS to review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process.

2. **The auditors recommend management of the Departments enhance internal control over IES access by adopting a formal written policy or procedure requiring and/or including:**
 - **Documented approval from regional monitors that access changes were made as directed. The policy/procedure should address the form in which such approval will be documented, the number of days in which approvals (or corrections) should be communicated by the regional monitors, and the individual or division responsible for maintaining the documentation.**
 - **The review of entitlements granted when conducting the review of access rights.**
 - **A definition of “timely” for disabling an individual’s access to the IES system, and a process for tracking whether access was revoked timely based on the definition.**

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FINDING: (Inadequate access review procedures for the Integrated Eligibility System (IES)) – First and last reported 2020

During the audit, auditors noted the following deficiencies in the user access review procedures performed by the Departments:

- Evidence of timely, affirmative responses from the regional monitors, noting IES access has been corrected and validated, was not tracked or documented.
- There was insufficient evidence retained to conclude the access review included a review of entitlements (user access permissions and other rights) to ensure users' access was limited to only data they need to perform their job responsibilities.

Additionally, during the testing of the Departments' access provisioning policies, auditors noted the policies did not define the time period in which the Departments were required to disable a terminated individual's system access. Because there was no systemic record of the date access was removed nor a definition by management of timeliness thereof, auditors were unable to determine whether user access was removed timely when a user was transferred or terminated.

Departments' management indicated they are working to develop a solution to document the provisioning of employees in IES.

The Departments' management indicated that although IES tracks when access is revoked, the system is not programmed to track when the request for revoking access was initiated.

The Departments' failure to maintain adequate internal control over the review of user access rights increases the risk IES may be accessed by individuals who are not authorized to access recipients' personal and health information.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE:

HFS accepts the recommendation. HFS will work with DHS to enhance internal control policy and procedures over IES.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Partially Implemented. Late in FY20 DHS published, on its OneNet, additional details regarding the review and termination of IES access by the Regional Systems Monitors. DHS has documented procedures to include a return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees to the access requested. HFS is working to amend its written policy and procedures to address the review of access rights to include a review of entitlements granted.

3. The auditors recommend the Departments work with DoIT to allocate sufficient resources to enable a full recovery of IES in the event of a disaster. Additionally, in the interim, auditors recommend the Departments work with DoIT to develop a prioritization plan and emergency operating procedures to allow IES to operate under reduced capacity in the event of a disaster.

The auditors further recommend management of the Departments enhance the Disaster Recovery Plan to include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- The current environment for all areas.

Finally, auditors recommend the Departments perform disaster recovery testing on a regular basis as defined in the Plan.

FINDING: *(Inadequate disaster recovery controls over the Integrated Eligibility System (IES)) – First reported 2019, last reported 2020*

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) lacked the ability to perform a full disaster recovery, and lacked adequate disaster recovery controls over the Integrated Eligibility System (IES).

The Departments did not have full disaster recovery functionality and consequently have not conducted disaster recovery testing over IES since 2019.

In addition, although DHS’ Disaster Recovery Plan (Plan) addresses the recovery and operation of IES, auditors noted the Plan did not include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- Did not fully depict the current environments.

This finding was first noted during the Departments’ financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Departments’ management indicated the project of implementing a fully functioning disaster recovery plan has been delayed due to staffing shortage issues since the Phase 2 database migration. Departments’ management explained full disaster recovery functionality is not yet available in the current IES environment and it has outgrown the

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capacity of the legacy disaster recovery hardware. As such, Departments' management indicated the IES Disaster Recovery Plan cannot be accurately documented and a complete, end-to-end disaster recovery exercise cannot take place until the new disaster recovery environment at an alternate data center is completed and tested.

The lack of an adequate Disaster Recovery Plan and the lack of functionality with which to perform full disaster recovery could result in the Departments' inability to recover IES data in the event of a disaster, which could be detrimental to recipients of benefits, and the Departments', and State's operations.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE:

HFS accepts the recommendation. HFS will support the lead, DHS, as they adopt and implement a disaster recovery plan.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation. An Information System Contingency Plan (ISCP) document for IES legacy is 90% completed. The DoIT-IDHS Bureau of Information Security and Audit Compliance will work on implementing an ISCP for the new IES Technical Refresh environment, using Alternate Data Center Architecture diagrams provided by its IT vendor. IDHS has tested continuation of operations plans in place for use in the event of a system outage.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS is working with DHS and DoIT to complete the Information System Contingency Plan and conduct a tabletop disaster recovery exercise for IES to identify gaps for the improvement of the documented emergency procedures. In addition, the Departments are working together to determine the requirements for obtaining resources to provide for the full recovery of IES. The Departments are also working to complete the IES IT modernization Technical Refresh project, which includes a full build at the Alternate Data Center to facilitate IES disaster recovery capabilities and testing.

- 4. The auditors recommend management of the Departments either expand its existing agreement or execute a new detailed agreement with DoIT, and expand on the existing agreement between the Departments to ensure IES roles and responsibilities, required to be performed by each party, are formally documented.**

FINDING: *(Detailed agreement with DoIT not sufficient and inadequate interagency agreement for the IES) – First reported 2019, last reported 2020*

HFS and DHS (collectively, the "Departments") each entered into an interagency agreement (IA) DoIT which did not define each agency's roles and responsibilities with respect to the Integrated Eligibility System (IES). Additionally, HFS and DHS entered into an IA with each other which addressed IES access and data sharing, but the IA did not define each agency's roles and responsibilities with respect to the IES.

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Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Departments' IES application and data resides on DoIT's environment. In addition, DoIT's staff is responsible for coordinating and making changes to the IES application and data after receiving approved instructions from the Departments. Furthermore, DoIT's staff assists the Departments with user access security.

Additionally, as set by the State of Illinois' State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State has designated agency responsibility for administering and supervising the administration of the Medicaid Program to HFS. However, Section 1.1 of the State Plan allows HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery).

Auditor Testing and Results

Interagency Agreements

During the audit, auditors noted the Departments had neither updated their existing agreement or, alternatively, entered into an additional IA with DoIT documenting roles and responsibilities for each function they perform on the Departments' behalf.

Additionally, auditors noted HFS and DHS had neither updated their existing agreement or, alternatively, entered into an additional IA to define the specific roles and responsibilities for each agency.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Departments' management indicated the IAs with DoIT and between each other had been delayed due to turnover in staff involved in the process.

The Departments' failure to execute the appropriate IAs increases the risk that IES functions will not be performed by each party in accordance with their assigned responsibility.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE:

HFS accepts the recommendation. The Departments are currently working together to expand the agreement.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation. DHS will continue to finalize revisions of the draft intergovernmental agreement to identify the assigned roles of HFS, IDHS, and DoIT, and will complete the necessary intergovernmental agreement process.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS is working to execute adequate agreements.

- 5. The auditors recommend the Departments work with the service provider to obtain assurance the internal controls over IMPACT, data, and the infrastructure, including change control and user access, are adequate. Additionally, until the Departments execute an intergovernmental agreement which addresses all user access testing, auditors recommend DHS perform periodic user access reviews of all DHS employees with access to IMPACT.**

FINDING: *(Inadequate general information technology controls over IMPACT-(Illinois Medicaid Program Advanced Technology system) – First reported 2018, last reported 2020*

In calendar year 2012, HFS and the State of Michigan's Department of Community Health entered into an intergovernmental agreement (IGA) for the State of Illinois (State) to utilize Michigan's existing Medicaid Management Information System (MMIS) and its related infrastructure with the goal of replacing the State's MMIS to accommodate the processing of the State's Medicaid provider enrollment determinations and all Medicaid claim payments to such providers. Since 2012, the State has implemented two phases of IMPACT: Electronic Health Record Medicaid Incentive Payment Program (eMIPP) and Provider Enrollment (PE).

An IGA was entered into in 2015 which formally established the Illinois-Michigan Program Alliance for Core Technology. Additionally, the parties agreed to pursue expansion of the Michigan MMIS environment to accommodate the processing of Illinois' Medicaid claims. The IGA required Michigan to extend its current system to utilize cloud architecture that would result in converged infrastructure, maximizing the effectiveness of shared resources, and allowing the shared services to be offered to HFS.

As a result of the Departments not having access to or control over IMPACT and its infrastructure, the auditors requested HFS provide a System and Organization Control (SOC) report which would provide the State and auditors information on the design and effectiveness of internal controls over IMPACT. In response, HFS provided a Security Assessment Report (Report), however, this report did not evaluate the design and implementation of Michigan's internal controls.

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Specifically, the Report did not document:

- Timeframe/period in which the Security Assessment Report covered,
- Independent service auditor's report,
- Details of the testing conducted, and
- Details of Michigan's internal controls as they relate to:
 - Control environment,
 - Risk assessment processes,
 - Information and communication,
 - Control activities, and
 - Monitoring activities.

As a result, the auditors were unable to perform adequate procedures to satisfy themselves that certain general IT controls (change management) to IMPACT were operating effectively during the audit period.

Change Management

As a result of the Departments' failure to obtain a SOC report, as noted above, or conduct their own timely, independent internal control review over changes to IMPACT, data, or the infrastructure, the auditors were unable to determine if changes made during the audit period were proper and approved.

User Access Control

The auditors noted HFS included all users, including DHS users, in its annual IMPACT Provider Enrollment Access Review. However, due to no executed interagency agreement between HFS and DHS (see Finding 2021-006), there was no interim user access review completed for DHS.

Change Management

Departments' management indicated they believe the Security Assessment Report adequately assessed the internal controls over IMPACT, data, and infrastructure.

User Access Control

HFS management indicated IMPACT automatically locks accounts after 60 days of non-use. While the auditors do not disagree, the accounts lock after 60 days of inactivity, during the 60 days individuals will continue to have access. Further, the 60-day automatic lock is only for non-use. If the individual continues to utilize their account, it remains active. DHS management indicated they were relying on the user access review process performed by HFS.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

Without having obtained and reviewed a SOC report, the Departments do not have assurance the service provider's internal controls over IMPACT, data and the infrastructure are adequate to protect from unauthorized changes and accidental and

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intentional destruction or alteration. Additionally, without performing periodic user access reviews of DHS users, unauthorized and/or inappropriate access to the IMPACT system could go undetected by the Departments for an extended period of time.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE:

HFS accepts the recommendation. A SOC report will be generated and available for the next audit year which will provide HFS with the assurance needed regarding the internal controls over IMPACT.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation. IDHS will work with HFS and the service provider to ensure controls over IMPACT, data, and the infrastructure are adequate.

DEPARTMENT UPDATED RESPONSE:

Implemented. In September 2021, HFS migrated the IMPACT system off the Michigan hosted environment and moved the Impact System into an Amazon Web Services infrastructure. SOC reports were obtained for FY22 from both the Vendor CNSI and Amazon Web Services. These will be obtained every year as part of the new contract. Project governance does include change control for any system changes that will be made.

- 6. The auditors recommend HFS management work with DHS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, auditors recommend HFS work with DHS to execute detailed interagency agreements which document specific roles and responsibilities as they relate to IMPACT. Finally, until the interagency agreement is finalized, the auditors recommend DHS follow-up on issues identified pertaining to their providers, from the IMPACT monthly screenings.**

FINDING: *(Insufficient review and documentation of provider enrollment determinations and failure to execute interagency agreements) – First reported 2018, last reported 2020*

HFS failed to execute interagency agreements (IA) with DH) establishing adequate internal controls over operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). In addition, HFS failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.

Interagency Agreements

Auditors noted HFS did not enter into or have an existing IA with DHS defining each agency's roles and responsibilities as they related to IMPACT during FY21.

HFS and DHS management indicated the IA has been drafted, however it has not yet been finalized.

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Detail Sample Testing of IMPACT Providers at HFS

During FY21, 24,209 provider enrollment applications were approved in IMPACT. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 60 approved applications were selected for testing. Their testing noted seven (12%) approved provider applications did not contain documentation to substantiate a review of the provider's required professional license or board certification to confirm the licenses/certifications were valid at the time the application was approved.

HFS management indicated the failure to either document or confirm the applicants had a valid non-expired license with no current limitations on the providers license/certification was due to oversight.

Detail Sample Testing of IMPACT Providers at DHS

During testing, the auditors determined DHS did not solely utilize IMPACT as the official book of record or consistently rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services. Specifically, in fiscal year 2021, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. Upon completion of those procedures, DHS personnel then entered the providers' information into IMPACT and approved the provider's file in order to grant approval for payment.

DHS management indicated it uses IMPACT for determining provider eligibility for Medicaid requirements, but each program is unique with various requirements that must be performed outside of IMPACT.

In order to determine if DHS provider applications were approved in accordance with federal and State laws/rules/regulations, prior to DHS entering their information into IMPACT, the auditors selected a sample of 60 approved applications for detailed testing and had no exceptions.

Additionally, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During testing, the auditors determined DHS personnel did not regularly follow-up on issues identified in IMPACT during the monthly screenings.

DHS indicated that follow-up reviews of issues have not been consistently performed due to the lack of an executed interagency agreement.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

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Inadequate controls over the operation of IMPACT, such as insufficient review, approval and monitoring of provider enrollment information, could result in providers being inaccurately determined eligible, the State expending federal and State funds for which providers eligibility have not been adequately demonstrated or documented, and could result in further expenditures to providers who are ineligible. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statements or financial information. Further, failure to execute interagency agreements increases the risk that IMPACT functions won't be performed by each party in accordance with their assigned responsibility.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

HFS accepts the recommendation. The interagency agreement is being finalized. Provider enrollment staff works with DHS staff monthly, to conduct quality assurance reviews of provider applications approved during previous month. Any identified errors are communicated to DHS and corrected.

DEPARTMENT OF HUMAN SERVICES' RESPONSE:

DHS accepts the recommendation. DHS will work with HFS to ensure provider applications are properly reviewed, approved, and documented within IMPACT. An interagency agreement was drafted and submitted for final approval. DHS will review the findings and follow up on deficiencies identified pertaining to our providers from the IMPACT monthly screenings.

DEPARTMENT UPDATED RESPONSE:

Implemented. DHS is reviewing provider applications and documentation during initial enrollment and at revalidations. HFS processes the DCFS providers. The interagency agreements have been finalized.

7. The auditors recommend HFS:

- **Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually. Because IMPACT, for the State of Illinois, is hosted and maintained by a service provider, HFS is required to obtain a SOC report or perform another type of independent review over the system's general information technology (IT) internal controls. If an independent review is performed, the related report should include an "opinion" concerning the IT internal controls, a description of the general IT controls, and the testing performed.**
- **Obtain bridge letters from service providers when the SOC report does not cover the entire engagement period.**
- **Include the requirement for a SOC report or an independent internal control review of the outsourced controls in the contracts between the Department and the service provider.**
- **Monitor and document the operation of the CUECs relevant to the Department's operations.**
- **Maintain complete inventories of service providers.**

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- **Develop and implement corrective action to address the significant weaknesses identified in the controls over the environment by the auditors and Department personnel.**

FINDING: *(Failure to review third-party service providers' internal controls) – First reported 2015, last reported 2020*

HFS did not obtain or conduct independent internal control reviews of its third-party service providers.

HFS utilized third-party service providers for various services in the engagement period, including:

- Software used in the data matching and verification, process management, and reporting of client's eligibility redeterminations.
- Administration and payment of claims for the enrollees of the State's Dental Program.
- An externally developed and hosted application, Illinois Medicaid Program Advanced Cloud Technology (IMPACT), which processed the Medicaid Incentive Payment Program (eMIPP) and provider credentialing certifications.
- The software and infrastructure for HFS' Pharmacy Benefits Management System.
- Management and operations of the State's Disbursement Unit for the collection and disbursement of payments under child support orders.
- IT hosting, software, and data entry services, as well as the establishment of rates and review of information related to the State's Managed Care Program.
- Infrastructure IT and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by DoIT.

During testing of the 12 third-party service providers, auditors noted:

- HFS omitted one service provider in its initial population of its service providers. While the Department was able to subsequently provide a System and Organization Control (SOC) report from the provider, the SOC report appeared to be incomplete. The auditors determined this exception did not materially impact the financial statements.
- HFS did not obtain SOC reports or conduct independent internal control reviews for six service providers (50%).
- HFS did not provide the auditors a bridge letter for one service provider (8%) when the SOC report did not cover the entire engagement period.
- The contracts between HFS and three of its service providers (25%) did not contain a requirement for a SOC report or an independent internal control review of the outsourced controls.
- HFS did not identify the Complementary User Entity Controls (CUECs) relevant to the Department's operations nor its applicable controls for six service providers (50%).

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Alternative Audit Procedures Performed (DoIT):

The Statewide IES application and data reside on the DoIT environment. In this regard, DoIT is a service provider to HFS. HFS did not obtain a SOC 1 Type 2 report for these services performed by DoIT and HFS did not perform alternative procedures to obtain evidence all services were provided in a sufficient manner.

In order to determine if the environment is secure in which IES resides, auditors performed general IT controls testing over 28 IES servers housed at DoIT. As a result of the testing, auditors noted significant weaknesses in the controls over the environment.

Further, during HFS' own internal security review, completed as part of its Plan of Actions and Milestones (2021) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), other significant threats were identified over the Department's general IT environment.

This finding was first noted during HFS' financial audit of the year ended June 30, 2015. In subsequent years, HFS has been unable to fully implement its corrective action plan.

HFS management indicated while it determined in its review which vendors should provide a SOC based on services provided, the contracts do not require the entities to provide them, and some have declined to do so. The contracts for these providers were executed prior to HFS' implementation of a SOC monitoring process. Further, HFS management indicated it believes the internal control review performed on the State of Michigan contract for IMPACT is sufficient. Questions for that review were developed by an independent party, who then reviewed the responses from the vendor and asked further questions, which were then answered by the provider. HFS management indicated the independent party then provided an analysis of the internal controls. Related to the bridge letter that did not cover the entire engagement period, HFS management indicated it obtained a bridge letter that did not cover the entire engagement period and requested an additional letter. Failure to follow up and obtain the letter was due to oversight. HFS management indicated it has not yet implemented a process for identification of CUECs and determining its internal controls relative to them. Finally, HFS management indicated the omission of a service provider from its population of service providers was due to an oversight.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the service provider's internal controls are adequate to ensure program payments and claims are accurate and secure. The SOC reports, which include the CUECs, specifically assume the user entities will apply complementary controls included in the reports. The system descriptions within the SOC reports are designed to consider these controls will be implemented by the user entities and doing so is necessary to fully achieve the control objectives covered by the SOC reports. The failure of the Department to consider the application of the CUECs to itself lessens the effectiveness of relying on the SOC reports as an element of its financial reporting internal control structure. Additionally, HFS' failure to monitor the services

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provided by DoIT could result in client data for programs administered by HFS being housed in an environment that exposes it to significant risks.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. While progress has been made in this area, this progress was slowed by key staff turnover and lack of staff with knowledge of the specialized subject matter.

DEPARTMENT UPDATED RESPONSE:

Partially Implemented. While progress has been made in this area, this progress was slowed by key staff turnover and lack of staff with knowledge of the specialized subject matter. HFS has enlisted the assistance of a consulting vendor to assist with improvements to processes and procedures and is implementing those changes.

During and after the period under review, HFS:

- Implemented a requirement for review of HFS procurement requests to determine whether service organization control reporting is applicable and to ensure that appropriate language is included with contracts where necessary.
- Improved tracking of the request and receipt of SOC reports & bridge letters where applicable.
- Improved tracking, quality and timeliness of SOC report reviews.
- Developed a process for reviewing the Complementary User Entity Control requirements within SOC reports and documenting that HFS has applicable controls. Implementation is in progress.

HFS is also creating an organization unit and establishing positions specifically tasked with contract risk monitoring and service organization controls. Two positions have been created to staff the new unit. Recruiting is in progress.

- 8. The auditors recommend HFS work with SERS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the SERS' actuary and CMS' actuary. After completing an initial full reconciliation, HFS may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either HFS or SERS, with the impact of these errors communicated to both SERS' actuary and CMS' actuary.**

FINDING: *(Inadequate internal controls over census data) – First and last reported 2020*

HFS did not have a reconciliation process to provide assurance census data submitted to its pension and other post-employment benefits (OPEB) plans was complete and accurate.

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Auditors noted HFS' employees are members of SERS for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, CMS for their OPEB. In addition, auditors noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, the auditors noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, auditors noted the following:

- 1) HFS had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
- 2) HFS had not developed a process to annually obtain from SERS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to HFS' internal supporting records.

HFS management indicated the errors noted above were due to oversight and HFS personnel became aware of the requirement to perform a reconciliation late in the FY20 audit and did not receive FY20 census data from SERS for comparison.

Failure to reconcile active members' census data reported to and held by SERS to HFS' records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of HFS' pension and OPEB balances, which may result in a misstatement of these amounts.

DEPARTMENT RESPONSE:

HFS accepts the recommendations. During FY22, HFS received its first employee census data reconciliation file from SERS which contained information as of June 30, 2021.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS has implemented a process to verify all census data for new employees with underlying records and reconcile all changes processed. Any errors or omissions found are promptly corrected.

9. The auditors recommend HFS perform its duties under the Act, or seek a legislative remedy to eliminate the Office and its duties.

FINDING: *(Noncompliance with the Illinois Health Information Exchange and Technology Act) - New*

HFS did not perform the duties required by the Illinois Health Information Exchange and Technology Act (Act).

During testing, auditors noted HFS management made a determination HFS would not operate the Illinois Health Information Exchange (ILHIE).

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As of September 30, 2017, the Illinois Health Information Exchange Authority (Authority) completed its wind down through processing its final transactions with the Health Information Exchange Fund as part of its transfer to HFS. To formalize this transfer, the Act was amended on July 7, 2020, and all duties previously assigned to the Authority are now the responsibility of the Illinois Health Information Exchange Office (Office) created within HFS. As such, it is now the responsibility of the Office to promote, develop, and sustain a health information exchange at the state level (20 ILCS 3860/10), the Office is mandated to:

- Establish the ILHIE, to promote and facilitate the sharing of health information among health care providers within Illinois and in other states. ILHIE shall be an entity operated by the Office to service as a state-level electronic medical records exchange providing for the transfer of health information, medical records, and other health data in a secure environment for the benefit of patient care, patient safety, reduction of duplicate medical tests, reduction of administrative costs, and any other benefits deemed appropriate by the Office.
- Foster the widespread adoption of electronic health records and participation in the ILHIE.

HFS management indicated when the Authority processed its final transactions there was nothing operational transferred to HFS.

Failure to establish and operate the ILHIE results in noncompliance with the Act.

DEPARTMENT RESPONSE:

HFS accepts the recommendation and will be seeking a legislative remedy.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS accepts the recommendation and will be seeking a legislative remedy.

10. The auditors recommend HFS establish and operate the ILHIE or, alternatively, work with the General Assembly and the Governor to determine the appropriate disposition of Fund 0606's remaining balance and then work with the Comptroller to dissolve Fund 0606

FINDING: *(Excess cash in the Health Information Exchange Fund) – First and last reported 2019*

HFS had excess cash within the Health Information Exchange Fund (Fund 0606).

As of September 30, 2017, the Illinois Health Information Exchange Authority (Authority) finalized its wind down through processing its final transactions with Fund 0606 as part of its transfer to the Department. To formalize this transfer, the Act was amended on July 7, 2020, and all duties previously assigned to the Authority are now the responsibility of the Illinois Health Information Exchange Office (Office) created under HFS. As such, in accordance with the Illinois Health Information Exchange and Technology Act (20 ILCS

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3860/10), it is now the responsibility of the Office to promote, develop, and sustain a health information exchange at the state level.

During testing, HFS management made a determination HFS would not operate the Illinois Health Information Exchange (ILHIE). As such, the Department did not expend any of Fund 0606's cash balance during the examination period. Auditors noted HFS does not have an apparent disposition for Fund 0606's cash balance, which totaled \$316,995 at June 30, 2021.

HFS management indicated the fund balance was maintained pending the recent management-determination, as referenced above, regarding the future of ILHIE activities. Further, HFS management indicated eliminating Fund 0606 and transferring the remaining balance will require legislative action.

Failure to timely address the remaining excess balance within Fund 0606 represents poor cash management within the State Treasury. Further, failure to seek the abolition of an unneeded fund resulted in time and effort by HFS staff in preparing unnecessary financial data and reports for Statewide accounting and financial reporting purposes.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. As stated above, HFS maintained the balance in the Health Information Exchange Fund (Fund 0606) pending the recent management determination regarding the future of ILHIE activities.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS plans to request the required legislative remedy to address the issue.

11. The auditors recommend HFS implement controls to ensure its vehicles timely undergo oil changes and tire rotations and receive an annual inspection.

FINDING: *(Inadequate controls over State vehicles) – First reported 2017, last reported 2019*

HFS did not have adequate controls over the maintenance of State vehicles.

During the testing of 31 State vehicles for proper maintenance, auditors noted the following:

- 23 (74%) vehicles had one or more instances of untimely oil changes. The auditors noted:
 - three were untimely based on the number of miles driven from the previous oil change;
 - sixteen were untimely based on months lapsed since the last oil change; and,
 - four were untimely based on both the number of miles driven from the previous oil change and the passage of time since the last oil change.

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The overages were between 1,381 to 16,123 miles and between two and 12 months.

- 12 (39%) vehicles did not have regular tire rotations. The auditors noted:
 - one was untimely based on the months lapsed since the last rotation; and,
 - eleven were untimely based on both the number of miles driven since the last rotation and the months lapsed since the last rotation.
- The overages were between 8,143 to 54,084 miles and between 13 to 80 months.
- 17 (55%) vehicles did not receive an inspection in one or both of the fiscal years tested.

This finding was first noted during HFS compliance examination for the two years ended June 30, 2017. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

HFS management attributed the failure to properly maintain vehicles to employee oversight and closure of HFS' motor pool since March 2020 due to the COVID-19 pandemic.

Failure to properly maintain vehicles could result in costly repairs and early deterioration of HFS' capital assets and resulted in noncompliance with the Code and the Vehicle Usage Program.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. HFS will review its internal controls to ensure they are adequate; however, HFS believes the untimely maintenance and inspections were a result of the closure of the motor pool due to the COVID Public Health Emergency during the audit period.

DEPARTMENT UPDATED RESPONSE:

Implemented. The untimely maintenance and inspections were a result of the closure of the motor pool due to the COVID Public Health Emergency during the audit period.

- 12. The auditors recommend HFS implement controls to ensure staff members receive timely performance evaluations in accordance with the Code and training courses are completed in accordance with the State Officials and Employees Ethics Act and Identity Protection Act. Further, auditors recommend HFS implement controls to ensure staff complete the required acknowledge forms documenting their understanding of their mandated reporting responsibilities under ANCRA prior to commencing employment.**

FINDING: *(Inadequate controls over personal services) – First reported 2005, last reported 2019*

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HFS did not have adequate controls over employee performance evaluations and training.

During testing, auditors noted the following:

- 7 of 60 (12%) employees tested did not have an evaluation of their performance conducted within four months after the end of their annual evaluation period. Auditors noted these employees' evaluations were conducted between 13 and 310 business days after the end of the four-month period to conduct each employee's evaluation.
- HFS was unable to provide documentation demonstrating 16 of 60 (27%) employees tested completed their annual ethics and/or sexual harassment and discrimination prevention training during the calendar year 2020 training period. Additionally, HFS did not have support that 3 of 14 (21%) new employees tested had performed their initial ethics and/or sexual harassment and discrimination prevention training within 30 days of hire.
- 3 of 60 (5%) employees tested with access to social security numbers in the course of their employment did not have training on protecting the confidentiality of social security numbers.
- 3 of 40 (8%) new employees tested, did not sign a statement acknowledging their responsibilities under the Abused and Neglected Child Reporting Act (ANCRA) to immediately report to DCFS a child known to them in their professional or official capacities may be an abused or neglected child before commencing their employment. These employees signed their acknowledgement forms one to two days after commencing employment at HFS.
- 33 of 33 (100%) employees tested who were required to complete training on their mandated reporter responsibilities during the examination period under ANCRA did not complete their initial training.

Further, employee training problems regarding cybersecurity were also reported in Finding 2021-019.

This finding was first noted during HFS compliance examination for the year ended June 30, 2005. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

HFS management indicated late evaluations and acknowledgement forms, and incomplete trainings were due to other competing priorities related to the COVID-19 pandemic.

DEPARTMENT RESPONSE

HFS accepts the recommendation. HFS will review its internal controls to ensure they are adequate.

DEPARTMENT UPDATED RESPONSE:

Implemented. The untimely processing of evaluations and training compliance in most cases, were a result of the COVID Public Health Emergency during the audit period.

13. The auditors recommend HFS make equal monthly DSH payments as required by the State Plan or, alternatively, amend the State Plan to reflect the current operating environment.

FINDING: *(Insufficient controls over the University of Illinois Hospital Services Fund) – First reported 2015, last reported 2019*

HFS did not have adequate controls to ensure Disproportionate Share Hospital (DSH) payments were paid in accordance with the Illinois Medicaid State Plan (State Plan).

During the testing of the University of Illinois Hospital Services Fund (Fund 0136), which included a review of the interagency agreement between the Board of Trustees of the University of Illinois (University) and HFS and testing of reimbursement rates determined by HFS, auditors noted HFS did not make the annual DSH payments in 12 monthly installments in accordance with the State Plan. While auditors noted the correct annual total amount was paid during both FY20 and FY21, no payments were made by HFS in July 2019, August 2019, October 2019, December 2019, August 2020, October 2020, November 2020, December 2020, and May 2021. In order to make up for these missed months, HFS made multiple payments during other months.

The State Plan states the annual amount shall be paid to the hospital in monthly installments and provides the calculation amounts to determine the annual amount due.

This finding was first noted during HFS' compliance examination for the two years ended June 30, 2015. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

HFS management indicated monthly DSH payments were not possible due to the University's payment structure.

Failure to make monthly installments decreases the amount of monthly cash available to the University's hospital and clinics and resulted in noncompliance with the State Plan.

DEPARTMENT RESPONSE:

HFS contends that 12 monthly DSH installments were made to the University of Illinois Hospital per the State Plan within the year. Timing does not always allow for the monthly payments to be made in each of the 12 months due to the innerworkings of the University of Illinois Hospital Services Fund.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS contends that 12 monthly DSH installments were made to the University of Illinois Hospital per the State Plan within the year. Cash availability challenges, due to statutory fund deposit requirements from GRF, do not always allow for the monthly payments to be made in each of the 12 months. HFS communicates with the University of Illinois Hospital on the timing of the payments to ensure that the amount of

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monthly cash available to the University's hospital and clinics is sufficient. As noted, the correct dollar amount was issued.

HFS will look into further clarifying the state plan language to indicate that 12 monthly payments does not require HFS to make one of the 12 monthly payments in each individual month.

14. The auditors recommend HFS establish and operate a voter registration system capable of transmitting voter registration application information as required by the Code.

FINDING: *(Failure to maintain a voter information data transfer mechanism) – First reported 2017, last reported 2019*

HFS failed to establish and operate a voter registration system capable of transmitting voter registration application information to the State Board of Elections' portal interfaced with its Online Voter Registration System by July 1, 2016, as required by the Election Code (Code).

During testing, auditors noted as of June 30, 2021, HFS had not established or operated a voter registration system. As of June 30, 2021, HFS' voter registration system should have been operational **five years ago**.

This finding was first noted during HFS' compliance examination for the two years ended June 30, 2017. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

HFS management indicated during prior examinations this mechanism was intended to be included within the Integrated Eligibility System (IES) Phase 2 functionality. During the current examination, HFS officials indicated the enhancement remains a work in progress.

DEPARTMENT RESPONSE:

HFS accepts the recommendation and successfully implemented the voter registration requirement for FY22.

DEPARTMENT UPDATED RESPONSE:

No Update. HFS successfully implemented the voter registration requirement on June 24, 2021.

15. The auditors recommend HFS promptly file a status report with the General Assembly on its implementation of the rate methodology for mammography at federally-qualified health centers and other encounter-rate clinics. In

addition, auditors recommend HFS either establish a federally-approved rate methodology or seek a legislative remedy to eliminate this statutory mandate.

FINDING: *(Failure to establish rate methodology and file required reports for the mammography program) – First reported 2017, last reported 2019*

During testing, auditors noted the following:

- While HFS was reimbursing eligible providers as part of the all-inclusive rate established in March 2013 for the Breast Cancer Screening and Treatment Quality Improvement Program, HFS still had not established a federally-approved rate methodology for mammography at federally-qualified health centers and other encounter-rate clinics in accordance with the Code.

HFS management indicated they did not believe the pilot program was effective in yielding improved breast cancer screening rates or in getting additional women with abnormal mammography screenings into treatment in a more expedient manner. As a result, they decided it was ineffective to establish a federal rate methodology.

- As of June 30, 2021, HFS had still not filed a status report with the General Assembly on the status of this requirement, which was due on January 1, 2016, **over 4.5 years ago.**

HFS management indicated they did not believe the status report was necessary due to the determination the program was not effective.

This finding was first noted during HFS' compliance examination for the two years ended June 30, 2017. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

Failure to establish a federally-approved rate methodology and file the required status report resulted in noncompliance with the Code and lessens governmental oversight of reimbursed rates for medical assistance programs.

DEPARTMENT RESPONSE:

The Department accepts the recommendation. Federally Qualified Community Health Centers are currently able to bill outside of their encounter rate for mammography services. Upon a claims review, the Department found that claims are being generated and paid from the practitioner fee schedule and can occur utilizing an affiliated facility to perform such services. HFS will report to the General Assembly prior to September 1, 2022, that a reimbursement methodology has been established.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS has consulted with the Illinois Primary Health Care Association, the sole state trade association for Federally Qualified Health Centers (FQHCs). There are no FQHCs that provide mammography and HFS will seek legislative relief from the mandate.

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In the meantime, HFS is exploring ways to expand access to mammography with an expert panel.

16. The auditors recommend HFS post, on its website, an analysis of MCO claims processing and payment performance every six months.

FINDING: *(Failure to post required MCO information on the HFS website) – First reported and last reported 2019*

HFS failed to post an analysis of its managed care organization (MCO) claims processing and payment performance on its website as required by the Illinois Public Aid Code (Code).

During the previous engagement, auditors noted HFS timely posted a report on November 1, 2018, which contained the information necessary per the statute covering the period of January 2018 – June 2018. When the timeline was discussed with HFS management, they indicated they would be posting the required reports in May and November of each year. However, the next report covering the period of July 2018 – December 2018, due May 2019, was not posted.

During the current examination testing, auditors followed-up on HFS’ unposted report from May 2019, which auditors noted during HFS’ last examination, and the reports HFS should have prepared during the examination period. HFS management again revised their timeline and stated future reports will be posted on a December/June cycle to ensure the six-month requirement. The change in timeline is to allow for the inclusion of all claims in the reports since providers have a 6-month (180 day) window to submit claims after providing a service. Therefore, to include all claims for the period of July 1, 2019 – December 31, 2019, data would need to be obtained through June 30, 2020.

At the time of discussion with management, they stated the next report to prepare and post would be for July 1, 2019 – December 31, 2019, which would be prepared, reviewed, approved and posted no later than December 31, 2020. The January 1, 2020 – June 30, 2020 report would be prepared, reviewed, approved and posted no later than June 30, 2021. All future reports would follow this same schedule. The auditors noted the following:

Report Period	Scheduled Posting Date*	Actual Posting Date	Days Late
July 2018 to December 2018	May 31, 2019	August 6, 2020	433
January 2019 to June 2019	November 30, 2019	August 6, 2020	250
July 2019 to December 2019	December 31, 2020	February 24, 2021	55
January 2020 to June 2020	June 30, 2021	June 30, 2021	0

*Posting schedule based on discussion with HFS as noted above.

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Additionally, during the prior examination, auditors noted HFS had not timely filed its contract claims reports required by HealthChoice Illinois, which were required to be posted on its website every three months. During the current examination, the auditors noted Public Act 102-0043 eliminated this mandate, effective July 6, 2021. As such, this component of the prior finding was not repeated.

HFS management indicated the reports were not filed in a timely manner because a consistent format for the report had not yet been established until FY21.

Failure to post reports timely as required resulted in noncompliance with the Code and delays oversight and accountability for the claims processing and payment performance of MCOs.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. Subsequent to June 30, 2021, HFS has established a methodology to ensure compliance with the statute and post reports on a semi-annual basis-December/June cycle.

DEPARTMENT UPDATED RESPONSE:

Implemented. The current Q1 and Q2 2021 hospital claims report is in process and shall be approved and posted no later than June 30, 2022.

- 17. The auditors recommend HFS enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are in place to protect the security, processing integrity, availability, and confidentiality of its systems and data.**

FINDING: *(Lack of agreement to ensure compliance with information technology security requirements) – First and last reported 2019*

Auditors noted HFS had not entered into an Intergovernmental Agreement (Agreement) with DoIT to address the security, processing integrity, availability, and confidentiality of the Department's systems and data during the audit period.

HFS has the ultimate responsibility to ensure its critical and confidential systems and data are adequately secured. As such, this responsibility is not limited because the information technology functions were transferred to DoIT.

HFS management indicated they have been working with DoIT to execute adequate agreements.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. HFS provided a draft agreement to DoIT regarding security mechanisms in April 2022. DoIT is currently drafting a broader intergovernmental agreement.

DEPARTMENT UPDATED RESPONSE:

In Progress.

- 18. The auditors recommend HFS work with DoIT to ensure recovery capabilities meet its needs and perform and document tests of its applications and data at least once each year. In addition, auditors recommend HFS' various disaster recovery plans should be continuously updated to reflect environmental changes and improvements identified from tests.**

FINDING: *(Lack of disaster recovery testing) – First and last reported 2019*

HFS had not conducted disaster recovery testing of its applications and data.

In order to carry out its mission, HFS utilizes a myriad of applications: Key Information Delivery System (KIDS), Medicaid Management Information System (MMIS), etc. However, HFS had not conducted disaster recovery testing of its applications and data during the engagement period.

HFS management indicated HFS is not able to do disaster recovery testing on critical systems without DoIT.

Failure to adequately plan for the recovery of applications and data leaves the Department exposed to the possibility of major disruptions of services.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. DoIT became an agency by statute on July 20, 2018, being charged with responsibility for the information technology function of agencies under the jurisdiction of the governor. In August 2019 a tabletop disaster recovery exercise was completed for HFS; however, HFS received a draft copy in November, instead of the signed final report. HFS provided the 2020 mainframe system evolution changes summary from DoIT that was completed in lieu of additional disaster recovery testing with HFS systems, and April 2021 documentation of a failover event. The DoIT mainframe infrastructure has been enhanced to include and operationalize a new mainframe system, memory, virtual tape array and continuous replication between Springfield and the Chicago area disaster recovery center; thus, every volume is replicated and HFS can recover all applications. HFS DoIT staff need additional training regarding these new features and will continue to work with DoIT to ensure the training is received.

DEPARTMENT UPDATED RESPONSE:

No Update.

19. The auditors recommend HFS work with the DoIT to obtain a detailed understanding of responsibilities related to cybersecurity controls. Additionally, auditors recommend HFS:

- Develop a cybersecurity plan.
- Develop a risk management methodology and conduct a comprehensive risk assessment.
- Identify the associated security protection based on risk for its data, and classify all data, including storage media.
- Ensure all staff annually complete cybersecurity training as outlined in the Data Security on State Computers Act.

FINDING: *(Weaknesses in cybersecurity programs and practices) – New*

HFS had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of HFS' mission to support the state by empowering Illinois residents to lead healthier and more independent lives by providing adequate access to healthcare coverage at a reasonable cost, and by establishing and enforcing child support obligations, HFS maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and medical information of the citizens of the State.

During the examination of HFS' cybersecurity program, practices, and control of confidential information, auditors noted HFS had not:

- Developed a cybersecurity plan, and
- Developed a risk management methodology or conducted a comprehensive risk assessment.

Although HFS classified its data according to risk, the classification did not document the required security protections. Additionally, the classification did not document the classification of all data, including storage media.

Additionally, 20 of 60 (33%) employees tested did not complete the calendar year 2020 cybersecurity training.

HFS management stated they disagree with the finding because they believe DoIT is responsible for the cybersecurity controls.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

No Update. The State of Illinois Cybersecurity Strategy was developed through a comprehensive process which included an evaluation of current capabilities, cybersecurity maturity and risk assessments, input from leadership from state agencies, boards and commissions and evaluation of the current and evolving cyber threat landscape. The strategy development was enhanced through the active participation of the Governor's Technology Advisory Board and public and private sector partners. The goals listed in the plan are all related to the agencies and their needs and ensure there is an enterprise approach to policies, rather than agency silos. This ensures all agencies meet the highest standard related to cybersecurity and the NIST Framework. This also ensures all agency systems and data are included and covered. HFS has adopted the state cybersecurity plan/policies and specific security program policies and procedures, not covered by the state plan are in place. HFS will continue to work with DoIT to ensure all data is classified and protected and will ensure cybersecurity training is completed by all staff on an annual basis.

- 20. The auditors recommend HFS perform parity compliance audits of MCOs and make the findings and conclusions of those audits available to the public on HFS' website. In addition, auditors recommend HFS should ensure, when it requires a contractor to assist it in meeting statutory mandates, the contractor is in place with a fully executed written agreement to comply with the mandate in a timely manner.**

FINDING: *(Failure to perform parity compliance audits of managed care organizations) – New*

During testing, auditors noted HFS has not performed parity compliance audits of MCOs and, therefore, has not made the findings and conclusions of these audits available to the public on HFS' website.

HFS management indicated they are still finalizing contract deliverables, timelines for deliverables, and billing methodology with the Department's current external Quality Improvement Organization (QIO), who has preliminarily agreed to perform this work on HFS' behalf.

HFS did not publish annual assessment adjustment details on its website.

During testing, auditors noted HFS did not post all details of its annual assessment on inpatient and outpatient services imposed on each hospital provider on its website.

HFS management indicated the calculation was not published due to oversight, as the staff member responsible for the calculation was not aware of this mandate.

DEPARTMENT RESPONSE:

HFS accepts the recommendation. HFS is in the process of performing the required parity compliance audit of the MCOs.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS received the final approved report on July 21, 2022. The report was posted to the HFS website on September 8, 2022. HFS received the MCO responses to the recommendation on September 23, 2022, and they are currently being reviewed by HFS.

- 21. The auditors recommend HFS timely publish all details of its annual assessment adjustment calculation on its website in accordance with the Code.**

FINDING: *(Failure to post hospital provider annual assessment adjustment details) - New*

HFS did not publish annual assessment adjustment details on its website.

During testing, auditors noted HFS did not post all details of its annual assessment on inpatient and outpatient services imposed on each hospital provider on its website.

HFS management indicated the calculation was not published due to oversight, as the staff member responsible for the calculation was not aware of this mandate.

Failure to publish all details of HFS annual assessment calculation limits public knowledge and understanding of the calculation and results in noncompliance with the Code.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Implemented. Upon becoming aware of this requirement during the audit, the Department has complied with the regulation and will continue to comply.

- 22. The auditors recommend HFS find and appoint persons with specific required backgrounds to the Task Force. Then, auditors recommend HFS provide appropriate staff and resources to the Task Force so it can meet its mandated duties and work towards eliminating disparities in long-term care settings. Finally, the auditors recommend HFS retain documentation supporting its implementation of corrective action.**

FINDING: *(Failure to appoint members to the Long-Term Services and Support Disparities Task Force) - New*

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During testing, auditors noted the following:

- The Director of HFS did not appoint persons with required specific backgrounds for 10 of 19 (53%) positions on the Task Force.
- HFS was unable to provide us with adequate supporting documentation showing the nine individuals appointed to the Task Force by the Director met the required specific background for serving in their position.
- As auditors could not determine whether sufficient numbers of consumer representative positions were on the Task Force, auditors were unable to determine if the Task Force had met the minimum statutory requirements to meet during the examination period.

Due to these conditions, auditors were unable to determine whether HFS' Task Force was meeting its statutory duties.

HFS management indicated the issues noted were due to staff turnover and staff error.

Failure to establish and operate the Task Force hinders the state's efforts to eliminate disparities in long-term care settings and resulted in noncompliance with the Code and the State Records Act.

DEPARTMENT RESPONSE:

HFS accepts the recommendation and has implemented corrective action.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS established the Health Equity and Quality Subcommittee in September 2021 and believes this is the fulfillment of the Long-Term Services and Support Disparities Task Force. The intent of the Health Equity and Quality Subcommittee is to advise the Medicaid Advisory Committee concerning strategies to improve customer outcomes by ensuring that populations covered under the Illinois Medicaid program have efficient, cost-effective, and timely access to quality care that meets their need without discrimination based on race/ethnicity, gender, primary language, disability, sexual orientation, or socio-economic status. In addition, HFS plans to review and establish a subgroup of this committee to specifically address the Long-Term Support Services population.

- 23. The auditors recommend HFS work with the DoA to adopt administrative rules to ensure a patient 60-years of age or older is able to access nursing home care without delaying the patient's discharge from a hospital where the nursing home is not penalized for accepting the patient's admission, to the extent permitted under federal law, in situations where a case coordination unit was unable to complete an in-hospital assessment of the patient prior to the discharge of the patient from the hospital. Further, HFS should actively monitor legislation to timely comply with any new statutory mandates.**

FINDING: *(Failure to adopt administrative rules regarding care coordination) - New*

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During testing, auditors noted HFS did not adopt rules to ensure a patient 60-years of age or older is able to access nursing home care without delaying the patient's discharge from a hospital where the nursing home is not penalized for accepting the patient's admission, to the extent permitted under federal law, in situations where a case coordination unit was unable to complete an in-hospital assessment of the patient prior to the discharge of the patient from the hospital.

HFS management indicated HFS and DoA have not yet started the process of adopting rules due to oversight. HFS management further indicated HFS is not aware of any instances for which an assessment was not completed during the engagement period where patients' access to care would have been affected had rules been adopted as required.

Failure to timely adopt rules to address this scenario could result in patients not being discharged from the hospital when they are ready to go, could result in nursing homes being penalized for accepting a patient's admission in this scenario, and results in noncompliance with the Hospital Licensing Act.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

In Progress. HFS will work with the Department of Aging to become compliant with federal policy and state goals. Additionally, HFS will seek legislative changes to assist in this effort.

24. The auditors recommend HFS post on its website the rights of women regarding pregnancy and childbirth.

FINDING: *(Failure to post pregnancy and childbirth rights to the Department's website) - New*

HFS did not post the pregnancy and childbirth rights of women on its website.

During testing, auditors HFS failed to post the aforementioned information about the pregnancy and childbirth rights of women on its website as of June 30, 2021.

HFS management indicated this was not posted on HFS' website due to the length of time incurred to develop and then obtain approval to post this information.

Failure to timely post the pregnancy and childbirth rights of women within the state may result in some residents being unaware of their rights and results in noncompliance with the Act.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS posted the information on its website on January 20, 2022. The information can be found at the following link.

<https://www2.illinois.gov/hfs/info/reports/Pages/default.aspx>

- 25. The auditors recommend HFS implement controls to demonstrate its reports submitted to the General Assembly are posted on its website for a reasonable period of time and provided to the State Government Report Distribution Center at the Illinois State Library. Further, the Department should implement controls to demonstrate its publications were submitted to the Illinois State Library for its collection and exchange purposes.**

FINDING: *(Inadequate controls over reports and publications) - New*

HFS did not ensure its reports and publications were published in accordance with State law.

During testing, auditors noted the following:

- HFS could not substantiate its reports submitted to the General Assembly during the examination period were posted on HFS' website.
- HFS could not substantiate its reports submitted to the General Assembly were deposited into the State Government Report Distribution Center at the Illinois State Library.
- HFS could not substantiate its publications were provided to the Illinois State Library for its collection and exchange purposes.

HFS management indicated these problems were due to oversight.

Failure to post reports submitted to the General Assembly on the Department's website and deposit reports and publications into the Illinois State Library limits public access to the Department's reports and publications, hinders the archival responsibilities of the Illinois State Library, and results in noncompliance with both the General Assembly Organization Act and State Library Act.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS has implemented additional controls to ensure reports submitted to the General Assembly are posted on its website. HFS will ensure documentation is maintained to demonstrate reports and publications were submitted to the Illinois State Library.

26. The auditors recommend HFS implement internal controls to ensure all of its vouchers are approved timely.

FINDING: *(Inadequate controls over timely approval of vouchers) – First reported 2017, last reported 2019*

During testing, auditors noted 10 of 80 (13%) vouchers tested, totaling \$71,948, were approved for payment between 2 and 259 calendar days late.

This finding was first noted during HFS' compliance examination for the year ended June 30, 2017. In the subsequent years, HFS has been unsuccessful in implementing a corrective action plan.

Failure to approve vouchers timely could result in late charges or penalties to the state, may delay the payment of vendors from appropriated funds, and resulted in noncompliance with the Code.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Implemented. HFS continues its efforts to advise staff regarding various invoice processing requirements including the timely approval or denial of invoices received.

27. The auditors recommend HFS implement controls to monitor its inpatient and outpatient rate calculation contract, including ensuring enforcement of contract provisions which allow HFS to monitor whether the vendor is providing contracted services in a secure and effective manner.

FINDING: *(Failure to obtain and review Monthly Security Status Reports) - New*

HFS failed to obtain and review monthly security status reports from the vendor responsible for calculating inpatient and outpatient rates. Specifically, auditors noted HFS did not enforce provisions of the vendor's contract which required the vendor to provide reporting on the effectiveness and monitoring of security controls.

HFS awarded a new rate methodologies and reimbursement services contract, effective November 17, 2020, to calculate inpatient and outpatient rates. In connection with the contract, the vendor was to develop, implement, host, and maintain interactive portals compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and guidance from the National Institute of Standards and Technology (NIST).

During the testing of the contract, auditors noted the vendor did not provide its monthly Security Status Report to HFS. The Security Status Report provides essential information regarding the security posture of the vendor's system, as well as the effectiveness of the

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controls deployed. In addition, ongoing monitoring activities by the vendor should be detailed, as well as ongoing remediation efforts to address known vulnerabilities.

HFS management indicated the complexity of the new contract resulted in the failure to obtain the monthly Security Status Report from the vendor.

Inadequate contract monitoring by HFS could lead to security risks if the vendor does not exercise proper security practices in its performance of the contract. Additionally, failure to enforce compliance with all contractual provisions of the inpatient and outpatient rates contract may subject the state to unnecessary legal risks and could result in unnecessary expenses.

DEPARTMENT RESPONSE:

HFS accepts the recommendation.

DEPARTMENT UPDATED RESPONSE:

Implemented. Upon clarification from HFS, the vendor has supplied the monthly information required. The vendor's security measures were in place and operational throughout the entirety of the contract and at no time was there any issue with security of data or information, only the reporting of it to HFS.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2022, HFS had 44 employees assigned to locations others than official headquarters.