

Review: 4464
Statewide Single Audit
Year Ended June 30, 2015
Illinois Department of Human Services

FINDINGS/RECOMMENDATIONS – 17

Repeated – 14

Implemented – 5

Accepted – 12

- 15-02. The auditors recommend IDHS evaluate the known Integrated Eligibility System (IES) issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs. The auditors also recommend IDHS implement adequate general information technology control procedures for the IES system.**

Finding: The Illinois Department of Human Services (IDHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for certain eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs.

DHS administers the SNAP, TANF, and certain Medicaid waiver programs and DHFS administers CHIP and Medicaid programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid program and later expanded to certain eligibility determinations for beneficiaries of SNAP, TANF, and CHIP programs. IES was developed through a partnership between DHS and DHFS with each agency providing system requirements specific to their respective federal programs.

During testwork, auditors noted several deficiencies in the controls over the implementation of IES. Specifically, auditors noted the IDHS and DHFS had not adequately completed and documented system testing performed prior to going live with IES. At the time IDHS and DHFS began using IES for eligibility determinations, there were several known system issues identified in user testing which had not been resolved. The auditors were unable to perform adequate procedures to satisfy themselves that general information technology controls over IES were operating effectively. Auditors noted several instances of noncompliance during the review of system data obtained from IES. Accordingly, auditors

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were not able to rely on IES with respect to testing of the eligibility and related allowability compliance requirements for beneficiary payments made under TANF, CHIP, and Medicaid programs. As a result, the auditors qualified their opinion on those programs.

Details of the beneficiary payments paid by the State during the year ended June 30, 2015 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Total Beneficiary Payments in FY15	Total FY15 Program Expenditures	Percentage
SNAP Cluster	\$3,293,986,000	\$3,392,532,000	97.1%
TANF Cluster	69,143,000	590,890,000	11.7%
CHIP	272,858,000	298,905,000	91.3%
Medicaid Cluster	10,369,578,000	11,021,872,000	94.1%

In discussing these conditions with IDHS officials, they stated the exceptions noted can be attributed to the complexity of the federal laws governing each program's eligibility rules. Additionally, the eligibility rules for medical programs were still in the process of being formalized and adopted. In regards to information technology control procedures for the IES system, Departments' management stated the primary focus was on gaining approval from federal CMS to connect IES to the Federal Data Services Hub by October 1, 2013.

Updated Response: Accepted. For the Illinois Integrated Eligibility System (IES) Phase 1, known system issues were thoroughly documented and resolved through subsequent Go Live rollouts of the missing functionality, approximately once per month. The process followed was documented and presented to auditors in early 2016. All known system defects have been corrected. For IES Phase 2, known system issues and risk assessments are being tracked according to new procedures already under development. Development of these procedures involves several tools such as Impact Assessment of Known Defects, Requirements Traceability, Operational Readiness Dashboard, and Jira/Jama defect definitions.

The Illinois Department of Human Services (IDHS), working in conjunction with the Illinois Department of Healthcare and Family Services (IHFS), has developed a plan to resolve defects remaining after Go Live in IES Phase 2 and will continue to monitor the system for potential non-compliance occurrences. The components of the plan include: track all active defects at Phase 2 Go-Live. (Go-Live date of 9/26/2016), document the operational and compliance impact of the known defects (complete), advise staff of the issue and appropriate workarounds (complete), assign time frames for the individual defects to be fixed (complete), conduct ongoing regression testing to ensure that the fixes for the defects are functioning correctly (complete), and collaborate with Department of Healthcare and Family Services on a regular basis on known issues to determine ongoing compliance and operational impact and updating staff as appropriate (EMOG) (Complete).

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For cases approved in IES (despite beneficiaries not meeting eligibility requirements related to Citizenship, Residency or social security reasons) the State has documented IES system defects that will be corrected and tested for deployment to IES. The policy and operational teams are aware of these defects and have been provided with workaround procedures to follow in the interim. (A workaround was issued in November of 2015 to address this issue).

Still in progress, for IES Phase 2, system test completion was purposely delayed to enable the State to validate quality due diligence. The State has completely documented the process that was followed from June through August 2015. The State will continue to follow this process to ensure that documentation is retained to support due diligence over system testing conducted for resulting warranty work. The State has implemented a quality control process to identify and correct the types of non-compliance issues uncovered by the audit and then integrated this process with the existing IDHS operations to monitor and control the potential non-compliance of the Department's programs.

The State continues to work with the IES Contractor to establish ongoing procedures for the Contractor to: Document and maintain the information necessary to test user access and follow established State change control procedures, including established audit trails.

For IES Phase I, the State's automated case maintenance system is only available in the legacy system where case maintenance activities are performed until IES Phase 2 goes live, scheduled for September 26, 2016. After IES Phase 2 Go Live, the new case maintenance functionality will be available to meet the need for the special tests and provisions – ADP System for SNAP Cluster program.

15-03. The auditors recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program. (Repeated-2007)

Finding: IDHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs.

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

In addition, during testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, auditors noted a number of case files were provided several

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weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS. Auditors also noted three CHIP case files (with medical payments sampled of \$70) for which IDHS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of these beneficiaries of the CHIP Program were \$8,984 during the year ended June 30, 2015.

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

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in FY15	Total FY15 Program Expenditures
TANF Cluster	50	\$ 15,396	\$ 69,143,000	\$ 590,890,000
CHIP	65	2,746	272,858,000	298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

Auditors also selected a sample of 25 case files consisting of two CHIP and 23 Medicaid Cluster program case files to test the completeness and accuracy of the CHIP and Medicaid Cluster program beneficiary payment population. During testwork, auditors noted two CHIP eligibility case files (with sampled payments of \$3) were missing.

In discussing these conditions with IDHS officials, they stated these control weaknesses are attributed to the enormous caseload; difficulty in locating case records in the Family and Community Resource Centers (FCRCs) and in centralized storage facilities; and the current transition from paper records to a completely digital record system.

Updated Response: Accepted. As part of the Phase 2 implementation of the new Integrated Eligibility System scheduled for fall, 2016, all electronic documents produced will be done so in electronic format, significantly reducing the need for paper-based files stored at the local offices. As part of the Illinois Medicaid Redetermination Project, implemented in 2014, copies of all medical only redetermination forms mailed to the customer, returned redetermination forms, electronic data matching results, requests for missing information, and verifications provided by the client will be stored in content manager, reducing the need for error prone paper case filing. The new Integrated Eligibility System enhances the paperless case file concept. For new applicants, the caseworker will have the ability to upload client documents and associate these with the application on which they are working. Staff will be able to view these documents in IES.

15-04. The auditors recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program. (Repeated-2001)

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Finding: IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of TANF Cluster, CHIP, and the Medicaid Cluster programs.

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

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for FY15	Total FY15 Program Expenditures
TANF Cluster	50	\$ 15,396	\$ 69,143,000	\$ 590,890,000
CHIP	65	2,746	272,858,000	298,905,000
Medicaid Cluster	125	5,738	10,369,578,000	11,021,872,000

During testwork of beneficiary payment for compliance with eligibility requirements and the allowability of the relevant benefits provided, auditors noted numerous exceptions. DHS could either not locate items needed for testing, could not provide adequate support of items tested, or could not provide evidence that various items had been performed or completed. Some of the exceptions noted by the auditors were as follows:

- In one TANF Cluster case, the application signed by the beneficiary had no date noted, indicating the effective period of the TANF payments.
- In two TANF Cluster cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary.
- In one TANF Cluster case, IDHS could not provide evidence that IDHS verified the beneficiary's social security number.
- In one TANF Cluster case, IDHS could not provide evidence that IDHS verified the beneficiary approved the application completed.
- In three TANF Cluster Penalty for Refusal to Work special test cases, IDHS could not provide evidence that IDHS verified the beneficiary's participation in program work activities.
- In 17 CHIP and 15 Medicaid case files (with medical payments sampled of \$494 and \$1,128, respectively), IDHS could not locate adequate documentation evidencing income and asset verification was performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on client handwritten notes, or used income verified on previous applications.
- In three CHIP and eight Medicaid case files (with medical payments sampled of \$59 and \$1,646, respectively), IDHS could not locate adequate documentation of residence verification of the beneficiary.
- In 15 Medicaid case files (with medical payments sampled of \$1,065), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois.

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- In two CHIP and one Medicaid case files (with medical payments sampled of \$75 and \$4, respectively), IDHS could not provide adequate documentation that beneficiary's social security number was verified to be valid.

In discussing these conditions with IDHS officials, they stated the missing eligibility documentation was misplaced, misfiled, or erroneously indexed.

Updated Response: Accepted. As part of the Illinois Medicaid Redetermination Project, implemented in 2014, copies of all medical only redetermination forms mailed to the customer, returned redetermination forms, electronic data matching results, requests for missing information, and verifications provided by the client will be stored in content manager, reducing the need for error prone paper case filing.

As part of the Phase 2 implementation of the new Integrated Eligibility System scheduled for fall 2016, all electronic documents produced will be done so in electronic format, significantly reducing the need for paper-based files stored at the local offices. The new Integrated Eligibility System enhances the paperless case file concept. For new applicants, the caseworker will have the ability to upload client documents and associate these with the application on which they are working. Staff will be able to view these documents in IES.

15-05. The auditors recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. (Repeated-2003)

Finding: IDHS did not perform "eligibility redeterminations" for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

During testwork over eligibility, auditors noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits for the three programs. The delinquency statistics by program for July 2014 compared to June 2015 were as follows:

Program/ Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF, July 2014	6,258	48,807	12.82%
TANF, June 2015	3,805	44,443	8.56%
CHIP, July 2014	84,311	1,068,012	7.89%
CHIP, June 2015	141,519	1,336,064	10.59%
Medicaid, July 2014	139,443	500,739	27.85%
Medicaid, June, 2015	38,545	476,054	8.10%

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During testwork, auditors noted redeterminations were not completed within required time frames for 21 cases tested. Delays in performing redeterminations ranged from one to 48 months after the required timeframe.

In discussing these conditions with IDHS officials, they stated an increasing number of overdue redeterminations exist due to the absorption of cases that would have previously been eligible for administrative renewal; start up issues and time spent on process development with a vendor; and the amount of time spent on staff development for new hires. The audit period was met with a learning curve and staff becoming acclimated to the newly developed system and its functionality.

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

Updated Response: Accepted. A modified Illinois Medicaid Redetermination Project began in February, 2014, in order to assist with medical only cases due for a redetermination. Beginning in April 2014, central redetermination units began receiving and acting upon automated eligibility recommendations from the Max-IL system.

In September 2016, when Phase 2 of IES rolls out, additional efficiencies will be realized in many different areas, including redeterminations. IES will allow for automatic redetermination for many medical cases that can have all eligibility factors verified electronically. The Department will complete the implementation of the Illinois Integrated Eligibility System (IES), which will provide enhancements to the redetermination process for many medical cases. This enhancement will utilize a 3 step process which includes the following:

1. Selection/Exclusion – The system selects cases eligible for the enhanced, more automated, redetermination process.
2. Medical Redetermination Clearances – prior to the redetermination due date, the system automatically runs eligibility clearances for the selected cases.
3. Processing the Redetermination – using the information gathered from the client and from the automated clearance runs, eligibility is determined.

15-06. The auditors recommend IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid. (Repeated-2012)

Finding: IDHS made improper payments to beneficiaries of TANF Cluster program.

During testwork of 50 TANF Cluster program beneficiary payments, auditors noted seven beneficiaries received payments for the addition of a family member to the family unit that were improperly calculated using the incorrect number of days. As a result of the calculation

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errors, the monthly payments for four beneficiaries (with payments of \$2,057) were overstated in total by \$508 and the monthly payments for three beneficiaries (with payments of \$1,331) were understated in total by \$207. Total payments made to these beneficiaries under the TANF Cluster were \$16,856 for the year ended June 30, 2015. As of the date of testing (December 19, 2015), the payment errors identified in the sample had not been corrected by IDHS.

In discussing these conditions with IDHS officials, they stated the error occurred in the manual calculation of the initial prorated entitlement TANF payment.

Updated Response: Accepted. Phase 2 of IES, which is to be implemented in September 2016, will eliminate the problem by performing automatic calculations.

In order to have the improper payments corrected, Family and Community Resource Centers (FCRCs) were notified of the specifics of the improper payments.

15-07. The auditors recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations.

Finding: IDHS does not have an adequate process for monitoring interagency expenditures claimed under the TANF Cluster, Child Care Cluster, Social Services Block Grant (Title XX), and Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) programs.

During the year ended June 30, 2015, IDHS reported expenditures from seven other agencies that were claimed for reimbursement or used to meet maintenance of effort (MOE) requirements.

During testwork over the documentation of the monitoring procedures discussed above, auditors noted the following deficiencies:

- Program questionnaires describing internal control procedures were not obtained by IDHS from the Illinois Department of Public Health or the Illinois Department of Revenue. Additionally, the internal control questionnaires provided to IDHS by DHFS did not include documentation of controls or processes related to ARRA expenditures claimed under the TANF Cluster program.
- IDHS did not perform a detailed review of any costs claimed from expenditures reported by the other State agencies to ensure they met the specific program requirements.

In discussing these conditions with IDHS officials, they stated the condition found was a result of inadequate controls over interagency expenditures and improvements will be made as needed.

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Updated Response: Accepted. Illinois Department of Human Services (IDHS) has reviewed amounts claimed from other state agencies to determine which agency expenditures should be reviewed based on risk. The Department has taken the following action to resolve this finding:

- Annual certification from Illinois Department of Public Health (IDPH) and Illinois Department of Revenue (IDOR) has been received for Title XX and SAPT respectively.
- Internal Control questionnaires will be updated for the following programs: Illinois Department of Healthcare and Family Services (HFS) for TANF ARRA, Illinois Department of Public Health (IDPH) for Title XX, and Illinois Department of Revenue (IDOR) for SAPT.
- Preliminary and Final expenditure patterns will be completed by Illinois Department of Public Health (IDPH) and Illinois Department of Revenue (IDOR) for Title XX and SAPT.

15-08. The auditors recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC. (Repeated-2013)

Finding: IDHS did not accurately report federal expenditures under the SNAP Cluster, WIC, Vocational Rehabilitation Grants to States (VR), TANF Cluster, Child Care Cluster, Social Services Block Grant (Title XX), CHIP, Medicaid Cluster, Block Grants for the Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI Cluster (SSDI) programs.

IDHS inaccurately reported federal expenditures which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, auditors noted the following errors for IDHS' major programs for the year ended June 30, 2015:

Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$ 3,392,532,000	\$ 3,434,761,000	\$ (42,229,000)
WIC	211,940,000	210,453,000	1,487,000
TANF Cluster	590,890,000	589,478,000	1,412,000
Title XX	65,180,000	64,921,000	259,000
SAPT	65,837,000	66,321,000	(484,000)
SSDI	87,267,000	87,860,000	(593,000)

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

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Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP Cluster	\$ 4,680,000	\$ 11,825,000	\$ (7,145,000)
WIC	203,291,000	209,608,000	(6,317,000)
VR	27,907,000	28,771,000	(864,000)
TANF Cluster	156,335,000	2,693,000	153,642,000
Title XX	47,568,000	49,910,000	(2,342,000)
SAPT	61,715,000	61,896,000	(181,000)

Auditors also noted several errors and unsupported amounts identified in IDHS' financial statement audit that impacted the statewide SEFA. Some of the errors noted were as follows:

- IDHS could not provide supporting documentation for expenditures of approximately \$38.4 million identified as an adjustment to correct prior accounts receivable balance related to the SNAP Cluster program.
- IDHS could not provide supporting documentation for expenditures of approximately \$3.2 million identified as an adjustment to agree to the expenditure pattern related to the VR program.
- IDHS could not provide supporting documentation (other than a summary schedule) for expenditures of approximately \$3.0 million for the Title XX program.

In discussing these conditions with IDHS officials, they stated federal expenditure differences noted were adjustments necessary to ensure the correct federal receivable amounts were reported as of June 30, 2015.

Response: The Department agrees with the recommendation. A new procedure was implemented in fiscal year 2015 to verify the federal receivable amounts reported on the GAAP reporting forms required to be submitted to the IOC. These procedures will be followed to ensure expenditures and receivables are accurately reported.

Updated Response: Accepted. The Office of Fiscal Services will ensure expenditures and sub-recipient amounts reported on the SCO-563 for the major federal programs agree with the expenditures patterns prepared by the Office of Fiscal Services, Bureau of Federal Reporting.

15-09. The auditors recommend IDHS review its process for monitoring compliance with the State expenditures for the maintenance of effort (SAPT MOE) and for maintaining documentation for expenditures used to meet its SAPT MOE requirement. (Repeated-2014)

Finding: IDHS did not maintain the required aggregate State expenditures for the maintenance of effort (MOE) requirements and was unable to provide adequate supporting documentation to substantiate IDHS met the MOE requirements for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

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During the current fiscal year, auditors noted IDHS did not maintain the necessary aggregate expenditures to meet the SAPT MOE requirement. The table below illustrates the shortfall:

	IDHS Actual Aggregate State Expenditures for State FY15	MOE Requirement	Amount of Shortfall
MOE expenditures	\$ 133,226,937	\$ 137,621,943	\$ (4,395,006)

Additionally, during testwork over 25 expenditures used by the State to meet the SAPT MOE requirements (totaling \$19,733,117), auditors noted IDHS could not provide detailed supporting documentation for 17 expenditures sampled (totaling \$8,672,505). Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort. Upon further review, the auditors noted an additional \$108,486,392 for which detailed supporting documentation was not readily available.

In discussing these conditions with IDHS officials, they stated the IDHS Management Information System (MIS) extract report used for monthly reports, when developed, was designed to give aggregate amounts consistent with IDHS Consolidated Accounting Record System (CARS) accounting cost centers/obligations. It was not designed to archive detail payment information and adjustments that impacted the monthly aggregate amounts.

Updated Response: Implemented. The Division of Alcohol and Substance Abuse (DASA) worked with DHS-MIS to implement the process of obtaining a monthly report of Adjustments, and the Monthly Payments Detail report.

DASA has also developed a DHS DASA monthly process to reconcile the reports with the MonthCate reports received.

15-10. The auditors recommend IDHS establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action. (Repeated-2011)

Finding: IDHS did not adequately review OMB Circular A-133 audit reports received from its subrecipients for WIC, Vocational Rehab, TANF, Child Care Cluster, Title XX Block Grants, and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

During review of a sample of 155 subrecipient OMB Circular A-133 audit desk review files, auditors noted IDHS did not notify 17 subrecipients of the results of A-133 audit desk reviews or issue management decisions on reported findings within six months of receiving the audit reports as required.

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Auditors also noted the A-133 audit desk reviews for the two most recent fiscal years are still in process and have not been finalized as of the date of testwork (February 19, 2016) for six subrecipients.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total FY15 Subrecipient Expenditures	Total FY15 Program Expenditures	%
WIC	\$ 203,291,000	\$ 211,940,000	95.9%
VR	27,907,000	116,262,000	24.0%
TANF Cluster	156,335,000	590,890,000	26.5%
Child Care Cluster	201,639,000	210,179,000	95.9%
Title XX	42,838,000	65,180,000	65.7%
SAPT	61,715,000	65,837,000	93.7%

In discussing these conditions with IDHS officials, they stated staff turnover and vacancies in critical positions resulted in several operational delays.

Updated Response: Accepted. The Office of Contract Administration (OCA) has continued to revise the Single Audit Desk Review process and is finalizing additional changes due to 2 CFR 200 and the Grant Accountability and Transparency Act (GATA). OCA began processing Desk Audit Reviews with a new Vendor in May, 2016. This process will include additional revisions and updates to the OCA Desk Review Process. OCA filled one vacant staff position in April, 2016, and is evaluating the possibility for additional staffing needs for the OCA Desk Review Section, which will allow the desk reviews to be processed in a timelier manner.

15-11. The auditors recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, the auditors recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken. (Repeated-2011)

Finding: IDHS did not follow its established policies and procedures for monitoring subrecipients of the WIC, Vocational Rehab, TANF Cluster, Child Care Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During testwork over on-site review procedures performed for 245 subrecipients of the WIC, VR, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, auditors noted IDHS did not follow its established monitoring procedures as follows:

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- IDHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews for seven of 163 subrecipients tested, ranging from 18 to 89 days late.
- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings or follow up with nine of 123 subrecipients tested, ranging from 7 to 279 days late.
- During testwork performed, auditors noted that IDHS did not perform on-site monitoring reviews of 11 of 164 subrecipients tested in FY15 in accordance with IDHS' planned monitoring schedule.
- During testwork performed, auditors noted that IDHS did not provide evidence that a notification letter was sent to three of 121 subrecipients tested to communicate the results of the programmatic review.
- During testwork performed, auditors noted that IDHS did not provide evidence that a notification letter was sent to four of 82 subrecipient tested to communicate the acceptance of their CAP.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2015 were as follows:

Program	Total FY15 Subrecipient Expenditures	Total FY15 Program Expenditures	%
WIC	\$ 203,291,000	\$ 211,940,000	95.9%
VR	27,907,000	116,262,000	24.0%
TANF Cluster	156,335,000	590,890,000	26.5%
Child Care Cluster	201,639,000	210,179,000	95.9%
Title XX	42,838,000	65,180,000	65.7%
SAPT	61,715,000	65,837,000	93.7%

In discussing these conditions with IDHS officials, they stated staffing constraints and competing priorities resulted in the discrepancies noted during the audit.

Updated Response: Accepted. The Division of Alcohol and Substance Abuse (DASA) reviewed the data system for the accuracy of tracking dates. The Division of Alcohol and Substance Abuse (DASA) will review and update monitoring timelines and policies with DASA inspection staff. They will also complete a mid-year review of compliance reports (random sampled) and of completed reports to assure audited due dates are being met.

The Division of Family and Community Services (FCS) made certain that updated written monitoring protocols were provided to assigned monitoring staff and included monitoring task timeframe parameters. The Division of Family and Community Services (FCS) will meet with each program area in order to determine the cause of untimely monitoring visits, and make any necessary and reasonable adjustments. The Bureau of Community Support Services will hire additional staff in order to perform monitoring tasks timely. Monitoring staff will be reminded of the monitoring protocol and the timeframe parameters of each monitoring task.

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The Division of Rehabilitation Services (DRS) created a repository to centrally store all program reviews completed by project officers. The Division of Rehabilitation Services (DRS) will revise the contracts used for Vocational Rehabilitation (VR) contracts to accurately classify providers as contractors rather than sub grantees.

15-12. The auditors recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy. (Repeated-2013)

Finding: IDHS did not properly communicate required federal information to subrecipients at the time of award for WIC; Vocational Rehab; TANF Cluster, Child Care Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During review of the award communication files for the sample of awards, auditors noted that, among other problems, the CFDA number was not communicated in the subrecipient award agreement for 32 TANF Cluster and one SSBG subrecipients tested.

In discussing these conditions with IDHS officials, they stated staff did not have a complete understanding of the procedures used to complete the award communications.

Updated Response: Implemented. The desk aid being used to list the Catalog of Federal Domestic Assistance (CFDA) # for each award communication has been enhanced to include CFDA#s for General Revenue Fund appropriations used for Maintenance of Effort.

15-13. The auditors recommend IDHS implement procedures to ensure ARRA information and requirements are properly communicated in writing to its subrecipients. (Repeated-2013)

Finding: IDHS did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the TANF Cluster program.

During testwork over one ARRA disbursement of \$1,168,792 to a subrecipient of the TANF Cluster program, auditors noted the subrecipient agreement did not identify the federal award number, CFDA number, the amount of ARRA funds, or the requirement to separately report ARRA program expenditures on the Schedule of Expenditures of Federal Awards (SEFA) and the data collection form.

In discussing these conditions with IDHS officials, they stated a combination of system errors and employee oversight resulted in failure to communicate the new funding source during the contract amendment process for one service provider.

Updated Response: Accepted. The Division of Family and Community Services (FCS) and the Office of Contracts Administration (OCA) communicated with the Provider receiving FY16 ARRA Funding in both September 2015, and March 2016 (via CSA Tracking System

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Contract Amendments). FCS and OCA also worked together to assist the Provider in clarification of the FY15 and FY16 ARRA funding by both letter and phone conversations.

The Office of Contracts Administration (OCA) has been working with IDHS Bureau of Federal Reporting staff and the Division of Family and Community Services (FCS) staff to ensure that all IDHS Providers who are receiving ARRA funds during FY16 are being adequately notified of the funding during the award notification process or during any amendments that are processed. OCA will also ensure that any provider receiving ARRA funds are notified during the annual federal funds reporting to all IDHS Federally Funded Providers at the end of FY16 in September after the lapse period.

15-14. The auditors recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations. (Repeated-2011)

Finding: IDHS did not determine the eligibility of beneficiaries under the Vocational Rehab (VR) program in accordance with federal regulations. Vocational Rehab grants in FY15 totaled more than \$16.1 million.

During testwork, auditors selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. Auditors noted the following exceptions in testwork:

- For two cases, IDHS did not perform timely eligibility determinations.
- For two cases, IDHS did not perform a required annual review of the beneficiary's Individualized Plan for Employment (IPE).

In discussing these conditions with IDHS officials, they stated the Division of Rehabilitation Services (DRS) continues to work to improve its eligibility determinations to achieve 100% compliance, but human error and competing priorities for staff attention continue to result in instances of noncompliance.

Updated Response: Accepted. The Division of Rehabilitation Services (DRS) has notified those staff that had a case cited of the deficiency noted in the audit.

The Division will issue reminders regarding the importance of proper eligibility determinations through its OneNet page, and at the various regional and statewide meetings. Proper eligibility requirements will be taught at New Employee Orientations for Counselors.

15-15. The auditors recommend IDHS implement procedures to ensure employee salary amounts paid are consistent with the approved CMS-2 form. (Repeated-2014)

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

During review of 106 employee payroll charges (totaling \$387,034) allocated to IDHS' federal programs during the year ended June 30, 2015, auditors noted amounts paid to employees were not consistent with amounts approved on the CMS-2 form applicable for the period tested. Specifically, auditors noted the following errors:

- The salary paid to one employee sampled was \$25 less than the approved monthly salary documented on the CMS-2 form.
- The salary paid to one employee sampled was \$100 more than the approved salary documented on their CMS-2 form.

Total personal services costs allocated through the PACAP for the programs listed above for the year ended June 30, 2015 were \$312,468,395. The amounts by programs are as follows:

Program	Amount
SNAP	\$ 154,870,062
WIC	3,312,921
VR	54,797,392
TANF Cluster	33,685,738
Child Care	5,337,900
Title XX	1,350,352
SAPT	4,590,587
SSDI	54,523,443
Total	\$ 312,468,395

In discussing these conditions with IDHS officials, they stated the errors identified were caused when employee personnel records were rebuilt after a wage freeze or by manual input error.

Updated Response: Implemented. All controls are in place to ensure that salaries on payroll match salaries on CMS records. The Department of Human Services (DHS) will continue to enforce these controls. DHS will continue to review and analyze the CMS Payroll Discrepancy Report, the DHS Payroll System variance reports, and entry of salaries not falling on a designated step (i.e., Step 9 report). Overpayments will be collected and underpayments will be processed efficiently.

15-16. The auditors recommend IDHS review the process and procedures in place to prepare financial reports required for the Supplemental Nutrition Assistance Program (SNAP) Cluster and implement procedures necessary to ensure the reports are accurate.

Finding: IDHS did not prepare an accurate financial report for the SNAP Cluster program.

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IDHS is required to prepare an annual federal financial closeout report (SF-425) for the SNAP Cluster program. During testwork over the SF-425 report for the federal fiscal year ended September 30, 2014, auditors noted IDHS inaccurately reported the following line items:

Report Line Item	Reported Amount	Actual Amount	Difference
Grand Total Cumulative Amount of Federal Funds Authorized	\$105,031,252	\$104,788,324	\$ 242,928
EBT Issuance Total Outlays This Report Period	2,417,538	-	2,417,538
Fair Hearing Total Outlays This Report Period	43,982	-	43,982

In discussing these conditions with IDHS officials, they stated some amounts reported were incorrectly duplicated when the final expenditure report was revised.

Updated Response: Implemented. A check list has been created to highlight items to be reviewed prior to the submittal of the SNAP Federal Financial Reports (FFRs).

15-17. The auditors recommend IDHS review the process and procedures in place to prepare special reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate. (Repeated-2014)

Finding: IDHS did not prepare an accurate special report for the TANF Cluster program. During testwork, auditors noted the following errors in the performance report (ACF-204) report for the federal fiscal year ended September 30, 2014:

Report Line Item	Reported Number	Actual Number	Difference
Child Care – Total Number of Families Served under the Program with MOE Funds	56,034	55,822	212

In discussing these conditions with IDHS officials, they stated the discrepancies are due to reporting problems with the new child care information system.

Updated Response: Implemented. The finding pertained to FFY14, where due to child care system problems; three months' reports were revised. These revisions changed the average monthly families served out of MOE funds by a total of 212 out of approximately 56,000 families. The system problems were a unique occurrence that year, and we've heard no reports of further discrepancies since then. In December 2015, we submitted the FFY15 ACF-204 to the Feds, for which we checked and rechecked the system reports and calculations. The process commences in early fall, and that gave us ample time to ensure

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that what we submitted was accurate. We believe this finding was a result of an isolated incident.

15-18. The auditors recommend IDHS implement policies and procedures to ensure access to its information systems is adequately secured and to generate a list of program changes from its information systems and applications. (Repeated-2012)

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

During testwork of IDHS' controls over user access to IDHS applications, auditors noted the following:

- One terminated employee of 40 tested retained application access after their termination date for the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications.
- One newly hired employee of 40 tested did not obtain proper approval prior to being granted access to the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications.
- IDHS' policies and procedures do not include specific procedures to review access rights for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for WIC, Child Care Cluster, and TANF Cluster programs.

Additionally, during testwork over changes made to IDHS' information systems, auditors noted IDHS was not able to generate a list of changes made to its information systems from each respective information system or application identified above.

In discussing these conditions with IDHS officials, they stated user account maintenance is dependent upon the supervisor's submission of user account paperwork requesting account termination and audit retention. Although the RACF system receives a bi-monthly file from payroll, if there are discrepancies in SSN or employee ID, the user match may not be performed correctly by the program. Concurrent and CAT systems are unable to produce system generation reports due to significant legacy technology limitations.

Updated Response: Accepted. This finding will not be resolved until these antiquated systems are replaced, since these systems do not have the ability to generate change reports. The Department has developed compensating controls.

RACF/LAN Coordinator training has been updated. DHS-MIS will review user accounts on an annual basis. We will continue to use the CAT tracking system for Concurrent and CCTS. The cost of implementing the recommended control outweighs the benefits since additional compensating controls have been implemented. CARS will be replaced with the Enterprise ERP system as functionality becomes available.