

Review: 4485
Statewide Single Audit
Year Ended June 30, 2017
Illinois Department of Human Services

FINDINGS/RECOMMENDATIONS - 15
Repeated - 14

Implemented - 10
Accepted and Partially Implemented - 5

- 17-02. The auditors recommend DHS implement adequate general information technology control procedures for the IES system. The auditors also recommend DHS evaluate the known IES system 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. (Repeated-2015)**

Finding: The Illinois Department of Human Services (DHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for 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 Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. Effective October 1, 2013, the State implemented the Integrated Eligibility System (IES) to perform and document eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded to SNAP Cluster, TANF Cluster, and CHIP.

During testwork, the auditors were unable to perform adequate procedures to satisfy themselves that certain general information technology controls over the IES system were operating effectively. Specifically, they noted DHS and DHFS could not provide all information necessary to test system access security controls relative to the network on which IES resides. Additionally, a specific change management policy has not been developed for IES.

Accordingly, the auditors were not able to rely on IES with respect to the testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. The auditors were also not able to rely on IES with respect to the special test and provision -- ADP System for SNAP related to the SNAP Cluster program.

In addition to the control deficiencies identified above, the auditors noted several instances of noncompliance during the review of system data obtained from IES. Specifically, the auditors noted cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status). The auditors also noted cases were approved in IES without valid social security numbers or submission of an application for a social security number. While DHS and DHFS were aware of certain system issues and have established manual workarounds for certain known errors, formal procedures were not established to monitor and evaluate noncompliance resulting from the known systems errors during the year ended June 30, 2017.

As a result of DHS' and DHFS' failure to have appropriate controls over the Integrated Eligibility System, the auditors qualified their opinion on the SNAP, TANF, CHIP, and Medicaid Cluster programs.

Details of the beneficiary payments paid by the State during the year ended June 30, 2017 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Total Beneficiary Payments in Fiscal Year 2017	Total Fiscal Year 2017 Program Expenditures	Percentage
SNAP Cluster	\$2,964,118,000	\$3,076,531,000	96.3%
TANF Cluster	42,009,000	572,345,000	7.3%
CHIP	280,375,000	312,580,000	89.7%
Medicaid Cluster	9,582,593,000	10,176,779,000	94.2%

In discussing these conditions with DHS officials, they stated the planned corrective action requires significant time and resources and they have prioritized corrective action of the findings noted based upon the risks involved. They also stated the non-financial eligibility issues identified were a combination of caseworker and system defects.

Response: The Departments accept the recommendation. The security issues were previously identified by the Department and a Plan of Action and Milestones (POA&M) was developed to track each issue, with the exception of two which are tracked in the weekly infrastructure technical meeting. In addition, Corrective Action Plans (CAPs) are in progress for each.

The Departments believe the errors found in the data researched for non-financial factors can be attributed to caseworker error due to the small percentage of cases affected. 496,154 cases were approved in IES and of those, 251 cases appeared to have a non-financial factor that would prevent eligibility, indicating less than .06% error rate. These are total cases representing Cash, SNAP and Medical for Health and Family Services and Department of Human Services combined. We are not stating that a system error is not

possible, but at this point we do not have a known system error. However, the Departments did not investigate each case independently of the SQL run against the data to state emphatically that system error is not a possibility.

Updated Response: Partially Implemented.

Corrective Action Plan Completed:

- The IES SSP documents all security and privacy controls according to MARS-E and NIST requirements;
- IDHS has a change management policy/procedure that is being followed by Deloitte. As these are “standards”, they apply across IDHS systems/applications. The only difference is for those items in development which are approved via email. Current policy/procedures:
 - 1 DoIT Change Management Policy, v1.2
 - 1 DoIT IT Governance Policy, v1.1
 - 2 DoIT General Security for Statewide IT Resources Policy
 - 3 IDHS III320-05 - Phases of SDLC
- DHS believes the errors found in the data researched for non-financial factors can be attributed to caseworker error due to the small percentage of cases affected. 496,154 cases were approved in IES and of those, 251 cases appeared to have a non-financial factor that would prevent eligibility, indicating less than .06% error rate. These are total cases representing Cash, SNAP and Medical for Health and Family Services and Department of Human Services combined. We are not stating that a system error is not possible, but at this point we do not have a known system error. However, the Departments did not investigate each case independently of the SQL run against the data to state emphatically that system error is not a possibility;
- The Integrated Eligibility System (IES) has formal procedures regarding system errors/weaknesses which is the IES Plan of Action and Milestones document. The document is reviewed and submitted quarterly to Federal CMS;
- For Hardware Inventory, MIS has ensured that all hardware (servers/components) are included on the Hardware Inventory and maintained in a location accessible by the Department's IES Security and Technical leads;
- For Infrastructure User Access: Current POA&M;
 - 1) All new users submit appropriate documentation for approval/access: Completed
 - 2) Existing user access listing and request documentation received and approved.
- Implemented Separation of Duties, Least Privilege, Security Functions.

Corrective Action in Progress:

- For Server End of Life (EOL):
 - Replacing with new appliances.
 - Extended Support Agreements and/or upgrade completed for EOL software (12 products).
 - 1) 2 products with Extended Support Agreements
 - 2) 9 products submitted purchase request to DoIT and currently in DoIT procurement process.
 - 3) 1 product not needed once DB2 is upgraded by DoIT. Task Order submission and planned implementation of DB2 to be determined.
- For PII/PHI Exposure: Current POA&M
 - 1) Develop requirements of design: In process
 - 2) Application updated with requirements, tested and moved to Production
- For Incorrectly Configured Devices: Current POA&M
 - 1) Decommission 2nd LDAP used in IES during infrastructure maintenance transition to DoIT: In progress
 - 2) Risk mitigated through use of other controls
- For Server Configuration: Current POA&M
 - 1) Resolved with infrastructure maintenance transition to DoIT: In progress
- For Audit Logs: Current POA&M
 - 1) Develop requirements of design: In process
 - 2) Application updated with requirements, tested and moved to Production
- For Patches/Fixes: Tracked in weekly Tech meeting
 - 1) This is an ongoing process as new technology, threats and vulnerabilities are identified.
 - 2) Moderate to High likelihood of being exploited are prioritized and completed in a timely manner;
 - 3) Unlikely or unable to be exploited are prioritized as Low and worked in to other system priorities that may be outside of security.
- For Password reset and text: Current POA&M
 - 1) Remove password: Completed
 - 2) Reset accessible only to limited system/security administrators: Completed
 - 3) Encryption:
 - a. Resolved with IES AD moved to DoIT AD structure and with infrastructure maintenance transition to DoIT: In progress.

- For Change Management: Current POA&M
 - 1) State and Contractor will work to analyze the impacts of adopting Department of Information Technology (DoIT) tools and processes.
 - 2) Incorporate IDHS change management processes into the JIRA request/approval change.

Expected Implementation Date: 10/01/2020

17-03. The auditors recommend DHS 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: DHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

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

During testwork, the 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, the auditors noted manual case files were generally available to all DHS 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. The auditors selected 10 TANF Cluster eligibility case records from each of the five separate local offices (50 total) and noted 13 case records could not be located for the testing. The auditors also selected 50 eligibility case records from two off-site storage facilities and noted 19 case records could not be located for the testing.

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

In discussing these conditions with DHS officials, they stated the weakness can be 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.

Response: The Department accepts the recommendation. In order to relieve some of the space limitations, offsite storage facilities were obtained and are being used. The Department is now utilizing a document management system that is capturing a portion of the information that was previously printed and stored in the paper case file, and now stored electronically. This is assisting in the reduction of the overwhelming size and amount of paper files in the offices. Additionally, we are in the midst of converting to a digital file system, which is accompanied by a learning curve in the utilization of scanning equipment and digital cataloguing processes.

Updated Response: Implemented.

Corrective Action Completed:

- As part of the phase two implementation of the new Integrated Eligibility System implemented in October 2017, all electronic documents produced are 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, request 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 now has the ability to upload client documents and associate those documents with the application on which they are working. Staff are able to view these documents in IES.
- The audit report states that case records are generally available to all DHS personnel and that formal procedures have not been developed for checking hard copy files in and out of the file rooms for tracking and location. Due to the volume of case records being maintained by the Department, IDHS made the decision to move the vast majority of paper case files to three central storage facilities. As a result, IDHS eligibility files are not generally available to DHS staff. Additionally, given the progress made with the new Integrated Eligibility System (IES) as described above, hard copy case files are no longer being generated or created.

17-04. The auditors recommend DHS review its current process for maintaining documentation supporting eligibility determinations and consider changes

necessary to ensure all eligibility determination documentation is properly maintained. (Repeated-2001)

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

During testwork, auditors selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. Some items DHS could not locate or provide were as follows:

- the initial case application or redetermination completed and signed by the beneficiary;
- adequate documentation that citizenship verifications were performed to verify the beneficiaries were eligible;
- verification of the beneficiary's social security number;
- adequate documentation evidencing income and asset verification was performed;
- adequate documentation of residence verification of the beneficiary;
- adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois;
- adequate documentation that cross match verifications were performed to verify the beneficiaries were eligible; and
- evidence that DHS verified these beneficiaries' participation in program work activities.

In discussing these conditions with DHS officials, they stated the cause of the finding can be attributed to misplaced, misfiled, or erroneously indexed documentation.

Response: The Department accepts the recommendation. The Department continues to ensure staff understands the importance of proper and accurate filing processes. The Department also continues to expand the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files.

Updated Response: Implemented.

Corrective Action Completed:

- As part of the phase two implementation of the new Integrated Eligibility System implemented in October 2017, all electronic documents produced are 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, request 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 now has the ability to upload client documents and associate with the application on which they are working. Staff are able to view these documents in IES;
- Due to the volume of case records being maintained by the Department, IDHS made the decision to move the vast majority of hard copy case eligibility files to three central storage facilities. As a result, IDHS eligibility files are not generally available to DHS staff. This has resulted in less missing or misplaced paper. Additionally, given the progress made with the new Integrated Eligibility System (IES) as described above, hard copy case files are no longer being generated or created. Once a document is scanned into the IES case, it remains indefinitely with no chance of the scanned document being misplaced or lost.

17-05. The auditors recommend DHS 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: DHS did not perform “eligibility redeterminations” for individuals receiving benefits under TANF Cluster, CHIP, and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

Each of the State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. During the testwork over eligibility, the auditors noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs. The delinquency statistics by program for June 2017 are as follows:

Program	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF	4,759	26,828	17.74%
CHIP	196,286	1,334,735	14.7%
Medicaid	55,824	462,822	12.1%

In discussing these conditions with DHS officials, they stated the finding can be attributed to an increasing number of overdue redeterminations due to the absorption of cases that require staff action in completing the redetermination, rather than using the now obsolete Passive or Administrative Renewal process, which allowed eligible medical cases to be redetermined based on the absence of any known changes in the customer’s household or financial situation. Additionally, the audit period was met with a substantial learning curve for staff becoming acclimated to the newly developed system and its functionality.

Response: The Department accepts the recommendation. The redetermination process will be enhanced with the implementation of the new updated processing system in IES Phase 2, which went live on October 24, 2017. The IES Phase 2 system will assist in tracking and auto initiating renewal notices to eligible customers using a three-step process. Online and classroom training venues are mandated and available for periodic, as needed reference to all staff using the new system.

Updated Response: Partially Implemented.

Corrective Action Completed:

- The Department completed the implementation of the Integrated Eligibility System (IES), which will provide enhancements to the redetermination process for many medical cases. This enhancement will utilize a 3-step process:
 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.
- For TANF cases, the EDG (Eligibility Determination Group) will be closed if the customer does not appear for the scheduled mandated face to face interview;
- For SNAP cases, the EDG (Eligibility Determination Group) is closed if the necessary redetermination application is not returned to the Department.

Corrective Action Plan in Progress:

- Each Regional Administrator will be required to submit a plan of action in order to improve our redetermination currency Due April 30th.

Implementation Date: 06/30/2019

17-06. The auditors recommend DHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid. (Repeated-2012)

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

During testwork of 50 TANF Cluster program beneficiary payments, auditors noted 6 beneficiaries received payments that were improperly calculated. As a result of the calculation errors, the monthly payments for 4 beneficiaries were overstated in total by \$307

and the monthly payments for 2 beneficiaries were understated in total by \$47. Total payments made to these beneficiaries under the TANF Cluster were \$17,068 for the year ended June 30, 2017. As of the date of the testing (January 30, 2018), the payment errors identified in the sample had not been corrected by DHS.

In discussing these conditions with DHS officials, they stated the cause of the finding can be attributed to human error in the calculation of the initial TANF payment that is issued to a family subsequent to a determination of eligibility. This initial payment results from a calculation that involves a percentage of the standard TANF monthly payment and the number of days remaining in the payment month after the eligibility determination.

Updated Response: Implemented.

Corrective Action Implemented:

- In order to have the improper payments corrected, DHS- Bureau of Collections (BOC) was notified of the specifics of the improper payments so that overpayments can be established. On March 12, 2018, the cases in question were sent to the Bureau of Collection for review. On the same day, the Bureau of Collections submitted the overpayments to the Accounts Receivable System (ARS) for collection action;
- There was one case that had a \$46 underpayment, however this customer has not been active on a TANF case since August 2017. The underpayment will be made when and if the customer returns to TANF;
- Phase 2 of IES was implemented in State Fiscal Year 2018 to eliminate the problem by performing automatic calculations.

17-07. The auditors recommend DHS 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: DHS 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 DHS' controls over user access to DHS applications—Concurrent (eligibility system), Child Care Management System, Consolidated Accounting Record System, Cornerstone (data management)—auditors noted the following:

- DHS could not provide all information necessary to test that user access was appropriately removed from the various computer systems. Specifically, the auditors noted: (1) user access termination forms were not consistently completed or retained by DHS; (2) terminated users retained application access after their termination date; and (3) user IDs for terminated users were reassigned to new hires.

- User access reviews were not performed in accordance with established procedures by DHS to ensure user access rights were appropriate for the various applications.
- User access for users with administrative access at DHS local offices was not reviewed to ensure user access rights were appropriate for the applications.
- Network password settings did not conform to the State's policy for expiration and account lockout requirements.
- DHS' policies and procedures do not include specific procedures to review access rights for users at subrecipient organizations who have been contracted to assist DHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Funds Cluster, and TANF Cluster programs.

Additionally, during testwork over changes made to DHS' information systems, the auditors noted DHS 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 DHS officials, they stated the exceptions are the result of DHS employees not following DHS policies and procedures and inadequate monitoring controls. Additionally, they stated two systems are over 30 years old and are not capable of producing system generated lists of program changes.

Response: The Department accepts the recommendation. The policies and procedures to review access rights for subrecipient organizations are the same access policies and procedures currently in place for internal users. RACF/LAN Coordinator training has been updated and are routinely held for new RACF/LAN Coordinators and used as a refresher to existing coordinators.

In regards to Cornerstone, review of access rights is included in the Cornerstone User Manual. Concurrent was replaced with Phase 2 of the IES application in October 2017. CARS is expected to be replaced with the Department of Innovation and Technology (DoIT) Enterprise Resource Planning (ERP) solution.

The current change management tracking system, Consolidated Accounting System (CATS) is utilized by all applications/programs for tracking of changes and bill-back and is deemed by DHS to provide adequate compensating controls with low risk. DHS, MIS has developed a new system, Information Technology Work Unit Reporting (ITWUR), which will replace CATS. In addition, Rational Team Concert (RTC) will be implemented which is in accordance with NIST guidance and recommendations regarding change management. This system will provide appropriate system requests and tracking for all changes to DHS systems and applications. This will provide a system generated listing of all changes, much like the Remedy System used by DoIT.

Updated Response: **Partially Implemented.**

Corrective Action Completed:

- The Bureau of Information security (BIS) has enhanced current monitoring of audit review responses to ensure timely completion of annual access reviews;
- The Bureau of Information Security has also provided quarterly/bi-annual refresher training for RACF/LAN Coordinators;
- BIS invited current RACF/LAN Coordinators to attend bi-monthly New Coordinator trainings;
- Developed specific refresher training curriculum.

Corrective Action in Progress:

- MIS Corrective Action - is working to develop and implement ITWUR (IT Request for Work Unit Reporting) and RTC (Rational Team Concert based application);
- Program (Cornerstone) Corrective Action – Working to ensure all subrecipient organizations complete an annual access review per Cornerstone policy;
- Program Corrective Action – Working to ensure RACF/LAN Coordinators attend refresher training;
- Program Corrective Action – Working to ensure RACF/LAN Coordinators complete/maintain appropriate On-boarding and Off-boarding documentation as well as any other MIS access requests.

Expected Implementation Date: 7/30/2019

17-08. The auditors recommend DHS review its process for monitoring compliance with the Substance Abuse Prevention and Treatment Maintenance of Effort (SAPT MOE) and for maintaining documentation for expenditures used to meet its SAPT MOE requirement. (Repeated-2014)

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

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

	DHS Actual Aggregate State Expenditures for State Fiscal Year June 30, 2017	MOE Requirement	Amount of Shortfall
MOE expenditures	\$95,427,750	\$120,725,801	(\$25,298,051)

Auditors noted DHS could not provide detailed supporting documentation for expenditures totaling \$23,204,631. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement.

In discussing these conditions with DHS officials, they stated the finding is a result of the inability of MIS to provide detailed supporting documentation for medical services provided by Managed Care Organizations (MCOs). Without access to supporting documentation for Medicaid services provided by MCOs, the State is unable to determine and to document if MOE was met.

Updated Response: Partially Implemented.

Corrective Action Completed:

- The Division of Substance Use Prevention and Recovery (SUPR) will work with DHS-MIS to develop a process to obtain detail for Medicaid payments used for MOE;
- SUPR will also discuss with the DHS Office of the Budget, the MOE shortfall and develop a plan to:
 - Explore the use of Managed Care Organization (MCO) billing information;
 - Ability to request and receive added state funds for treatment services and or prevention services.
- In addition, DASA will finalize MCO billing data and integrate it into the MOE reporting for the Center for Substance Abuse Treatment (CSAT) and audits.
- Data Obtained from MCOs for SFY16 and SFY17:
 - Methodology set for adding MCO date to MOE calculations has been completed and submitted. This is pending SAMSHA approval at this point in time;
 - MCO expenditures need to be finalized;
 - General revenue Fund (GRF) need for meeting MOE has been discussed with DHS Budget staff.

Corrective Action in Progress:

- Await feedback from CSAT to modify MOE tables on the online application system (BGAS) for SABG reporting of expenditures.

Expected Implementation Date: 3/31/2019**17-09. The auditors recommend DHS 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. (Repeated-2015)**

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

Federal and State expenditures under the SNAP Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs are comprised of programs operated by various State agencies. As the State agency responsible for administering these programs, DHS has executed interagency agreements with each of the State agencies expending federal and/or State program funds. The interagency agreements require periodic reporting of a summary of the agency's "allowable" expenditures to DHS for preparation of the financial reports required for each program. DHS is responsible for establishing procedures to ensure the expenditures reported by the expending State agencies meet the applicable federal requirements.

During the year ended June 30, 2017, DHS reported expenditures from other agencies that were claimed for reimbursement or used to meet maintenance of effort (MOE) requirements as follows:

Program	Expending State Agency	Expenditure Claimed	Total Expenditures
SNAP Cluster	Department of Healthcare and Family Services	\$940,000	\$3,076,531,000
TANF Cluster	Department of Children and Family Services	\$275,877,000	\$572,345,000
Program	Expending State Agency	Expenditures Claimed	Total Expenditures
TANF Cluster	Department of Healthcare and Family Services	1,810,000	572,345,000
TANF Cluster	Illinois Department of Revenue	45,654,000	572,345,000
TANF Cluster	Illinois Student Assistance Commission	5,006,000	572,345,000
TANF MOE	Department of Healthcare and Family Services	5,524,000	537,722,000

TANF MOE	Illinois State Board of Education	51,452,000	537,722,000
Child Care Cluster	Department of Children and Family Services	34,000	188,076,000
Child Care MOE	Department of Children and Family Services	16,920,000	86,889,000
Title XX	Illinois Department of Public Health	2,810,000	50,943,000
SAPT	Illinois Department of Revenue	29,000	70,277,000
SAPT	Illinois Department of Public Health	305,000	70,277,000

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

- Program questionnaires describing internal control procedures were not obtained by DHS from the Department of Healthcare and Family Services (SNAP Cluster).
- DHS did not perform a detailed review of costs claimed from expenditures reported by the Department of Children and Family Services (TANF Cluster) to ensure they met the specific program requirements.
- DHS did not reconcile the expenditures reported by IDPH at the end of State fiscal year 2017 to the amount reported and claimed under the Title XX program by DHS. The auditors noted IDPH incurred and paid \$3,612,000 to subrecipients under the Title XX program; however, DHS only reported the \$2,810,000 reimbursed to IDPH. As a result, amounts reported on the Statewide SEFA for the Title XX program and related amounts passed through to subrecipients were understated by \$802,000.

In discussing these conditions with DHS officials, they stated the condition found was a result of late or incomplete responses from other Illinois' State human services agencies.

Updated Response: Implemented.

Corrective Action Completed:

- IDHS has stressed to the Department of Healthcare and Family Services the importance of returning the program questionnaire describing internal control in a timely accurate manner. A copy of the program questionnaire describing internal control has been received and filed;
- The Bureau of General Accounting has added a process to follow up with the Illinois Department of Public Health (IDPH) regarding expenditures. The amounts reported on the SCO567/568 were correct. They had expenditures that had not yet been reimbursed because DHS had not received notification of the expenditures by June 30. These additional expenditures were accounted for in the "due to amount";
- In regards to the SEFA not showing the correct amount, General Accounting uses the "Grantee" expenditure amounts on the SEFA. However, last year there was an issue with the download from IOC giving us, the "Grantor" expenditures rather than the "Grantee" expenditures. This caused the erroneous information in the SEFA. The SEFA was revised in January of 2018 using the correct "Grantee" amounts;

- The Office of Contract Administration (OCA) is continuing to monitor the interagency expenditures to ensure that federal and state expenditures expended by other State agencies meet the applicable program regulations.

17-10. The auditors recommend that DHS review its procedures for monitoring its service organizations and implement additional procedures to ensure appropriate follow up is performed relative to control deficiencies identified at its service organizations. Such procedures should include documentation of DHS' assessment of the impact of any control deficiencies and/or noncompliance identified in the service organization control report on the SNAP Cluster program.

Finding: DHS has not established adequate procedures to ensure controls are operating effectively at its third party service organization for the Supplemental Nutritional Assistance Program (SNAP) Cluster.

DHS issues SNAP benefits in the form of EBT (Electronic Benefits Transfer) cards to beneficiaries of the SNAP Cluster which are used to purchase food from retail stores. DHS contracts with a service organization to pay retailers that have accepted EBT cards for food purchases. Among other things, the service organization is responsible for drawing cash from the U.S. Treasury which is used to reimburse retailers. DHS is responsible for reconciling the payments made to retailers by its service organization with the amounts drawn from its EBT account with the U.S. Treasury on a monthly basis.

In order to ensure the service organization is properly performing its contracted duties relative to the EBT card settlement process, DHS requires the service organization to have a service organization control report. Auditors noted the auditors' report was modified for one control objective that was not achieved. Specifically, the control objective related to ensuring logical access to programs, data, and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions was not achieved.

DHS personnel responsible for reviewing the service organization report did not identify the report modification as an exception or control deficiency on their internal review checklist and did not perform procedures to assess the impact of the control deficiencies with respect to the SNAP Cluster program until this item was identified during the audit.

In discussing these conditions with DHS officials, they stated a documented review of the SOC 1 report was not completed due to competing priorities in the current workflow.

Updated Response: Implemented.

Corrective Action Completed:

- The Division of Family and Community Services (FCS) has identified/created a review sheet to be used for documentation of the SOC1 Report (Service Organization Controls Report) review and follow-up.

17-11. The auditors recommend DHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC. (Repeated-2013)

Finding: DHS did not accurately report Federal expenditures under the SNAP Cluster, WIC, Vocational Rehabilitation (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.

DHS inaccurately reported federal expenditures and amounts which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, the auditors noted the following errors for DHS' major programs for the year ended June 30, 2017:

Program	Amounts per DHS' Records	Amounts Initially Reported to the IOC	Difference
VR	\$108,687,000	\$118,369,000	\$9,682,000
Medicaid	23,909,000	65,963,000	42,054,000
SSDI	80,270,000	79,358,000	912,000

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

Program	Amounts per DHS' Records	Amounts Initially Reported to the IOC	Difference
WIC	\$175,856,000	\$175,873,000	\$17,000
TANF Cluster	226,707,000	185,481,000	41,226,000

Also, upon further review, the auditors noted the cash basis expenditures provided by DHS for the audit procedures included accrued (not paid) expenditures. The auditors noted \$11.4 million of \$4.3 billion in expenditures were not paid as of June 30, 2017, but were erroneously reported as cash basis expenditures.

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

In discussing these conditions with DHS officials, they stated the differences in the amount of federal expenditures and amount passed through to subrecipients was due to updated information submitted to DHS after the original submission date of the SEFA to the Illinois Office of the Comptroller.

Response: The Department accepts the recommendation. The Department will request detail source documentation from the Department of Healthcare and Family Services to ensure Medicaid program information provided for DHS funds is accurate. In addition, TANF subrecipient pass through amounts reported by other State agencies will be submitted to the Illinois Office of the Comptroller.

Updated Response: **Implemented.**

Corrective Action Completed:

- The Department has reviewed procedures to determine expenditure and subrecipient amounts reported on the SCO-563 for the major federal programs;
- The Bureau of General Accounting (BGA) and the Bureau of Federal Reporting (BFR) is now coordinating the completion of a reconciliation for any differences between expenditure patterns and amounts reported on SCO-563 forms;
- Contact staff responsible for preparing expenditure patterns is now determining if any revisions have been made prior to submitting fund GAAP packages;
- The Department is now verifying amounts reported by HFS as receivables at June 30th to ensure it have been received by August 31st;
- IDHS Office of Budget has drafted legislation (PA 100-0587), which became effective 6/4/18 to revise criteria for amount to be drawn into fund-142.

17-12. The auditors recommend DHS establish procedures to ensure: (1) subrecipient single audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with the Uniform Guidance, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action. (Repeated-2011)

Finding: DHS did not adequately review single audit reports received from its subrecipients for WIC, TANF, Child Care, Title XX, and SAPT programs.

Subrecipients who receive more than \$750,000 in federal awards are required to submit a single audit report to DHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any

findings applicable to DHS programs. A desk review checklist is used to document the review of the single audit reports.

During the review of a sample of 192 subrecipient single audit desk review files, the auditors noted DHS did not notify 33 subrecipients of the results of single audit desk reviews or issue management decisions on reported findings within six months of acceptance of the single audit report by the Federal Audit Clearinghouse (FAC) as required.

The auditors also noted the single audit desk reviews for FY16 and FY17 were still in process and had not been finalized as of the date of the testwork (January 30, 2018) for six subrecipients.

DHS' subrecipient expenditures under the federal programs exceeded \$633 million in FY17. In discussing these conditions with DHS officials, they stated that due to ongoing staffing shortages in the Office of Contract Administration (OCA) desk audit section and loss of one key staff member during fiscal year 2017 Single Audit cycle, the OCA was unable to make advances in resolving this repeated finding.

Updated Response: Partially Implemented.

Corrective Action Completed:

- The Office of Contract Administration's (OCA) desk audit review section has hired two new staff members to process desk audit reviews. This brings the staff assigned to review Single Audits from two to three staff assigned to the review of Single Audits.

Corrective Action in Progress:

- The Office of Contract Administration (OCA) is in the process of implementing changes in the desk audit review process to more closely align with the Grant Accountability & Transparency Act (GATA) consolidated desk review process which now also includes a reconciliation of a Consolidated Year End Financial Report (CYEFR);
- The Office of Contract Administration (OCA) has transitioned into the process of utilizing the GOMB-GATU Grant Accountability & Transparency Act Portal (GATA Portal) for consolidated desk audit reviews. This system is officially called the Audit Report Review Management System (ARRMS); all State of Illinois grantee-providers with a 12/31/17 fiscal year-end going forward are required to utilize this process. In addition, in October of 2018 OCA also hired a new Financial Reporting Administrator who is tasked with oversight of the GATA Portal consolidated desk review process. This finding is anticipated to repeat on IDHS's FY18 Single Audit due to not meeting the 180-day requirement for completion of our current audit cycles desk audit reviews. Once the GATA Audit Report Review Management System (ARRMS) has been fully implemented, this finding should be resolved.

Expected Implementation Date: 09/30/2019

17-13. The auditors recommend DHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, the auditors recommend DHS 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: DHS did not follow its established policies and procedures for monitoring subrecipients of the WIC, TANF, Child Care, Title XX, and SAPT programs.

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

During testwork over on-site review procedures performed for 213 subrecipients of the WIC, TANF, Child Care, Title XX, and SAPT programs, the auditors noted DHS did not always follow its established monitoring procedures.

- DHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews to 11 of 171 subrecipients.
- DHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings or follow up with 2 of 88 subrecipients on delinquent CAPs.
- During testwork, auditors noted that DHS did not perform on-site monitoring reviews of 44 of 160 subrecipients in FY17 in accordance with DHS' planned monitoring schedule.
- During testwork, auditors noted that DHS did not provide evidence to support a payment of \$560,079 to one SAPT subrecipient tested.

In discussing these conditions with DHS officials, they stated the cause can be attributed to untimely monitoring, no system of monitoring in place, and staff failure to follow procedures.

Updated Response: Implemented.

SUBSTANCE USE PREVENTION & RECOVERY (SUPR)

- Implemented system monitoring to ensure all documents are sent and received within required time frames. Employed a partial FTE for this function, placed in Chicago for system monitoring;
- Review policies and procedures with monitoring staff at least annually for correspondence and report due dates;

- The administration will review monthly and quarterly, any correspondence failing to be submitted within the due date and take appropriate action to remedy the deficiency.

DIVISION OF FAMILY AND COMMUNITY SERVICES (FCS)

- Meet with each program area in order to determine the cause of untimely monitoring visits, and make any necessary and reasonable adjustments;
- Program monitoring staff will be reminded of the monitoring protocol and the timeframe parameters of each monitoring task;
- All FCS monitoring staff have been retrained on both fiscal and program monitoring compliance.

17-14. The auditors recommend DHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy. (Repeated-2013)

Finding: DHS did not follow its established policies and procedures for monitoring subrecipients of WIC, TANF, Child Care, Title XX, and SAPT programs.

During testwork of the award communications for the sample of subrecipients, the auditors noted the CFDA number was not communicated in the subrecipient award agreement for eight TANF Cluster, one Title XX, and four SAPT subrecipients tested. Upon further review, the auditors noted a general State appropriation code was communicated in the original award document for these 13 subrecipients as DHS had not determined under which federal program (if any) the expenditures would be claimed at the time they were awarded.

Additionally, the auditors noted the federal program name was not communicated in the subrecipient award agreement for two Title XX subrecipients tested.

In discussing these conditions with DHS officials, they stated program and division contracting staff did not properly review Exhibit A information of the Grant Agreements for proper accuracy prior to completing the agreements.

Response: The Department accepts the recommendation. The Office of Contract Administration (OCA) recommends that all program and division contracting staff be properly trained on the process of completing and reviewing Exhibit A of the Grant Agreements. The OCA, Bureau of Federal Reporting and the Division of Family and Community Services (FCS) have also met to discuss any needed modification to fiscal year 2018 Exhibit A information to ensure accuracy of the information.

Updated Response: **Implemented.**

DIVISION OF SUBSTANCE USE PREVENTION AND RECOVERY (SUPR)

- Community Service Agreement (CSA) will now allow copying of CFDA related DATA via exhibits;
- SUPR requested that a new Contract Service Agreement (CSA) report be developed for each contract providing a CSA contract number and related CFDA. DHS-DoIT staff modified the existing Business Objects report to provide needed information to DASA-SUPR staff;
- SUPR will review the report quarterly with contract development staff.

OFFICE OF CONTRACT ADMINISTRATION (OCA) and DIVISION OF FAMILY AND COMMUNITY SERVICES (FCS)

- OCA, Bureau of Federal Reporting staff and the Division of Family and Community Services (FCS) staff have met to discuss any needed modification to fiscal year 2018 Exhibit A information to ensure accuracy of the information.
- FCS created an electronic contract review tool to ensure all contracts have the correct federal award information to relay to sub recipients.

17-15. The auditors recommend DHS 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: DHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Grants to States (VR) program in accordance with federal regulations.

During testwork of Vocational Rehabilitation Grants to States program beneficiary payments, the auditors selected 80 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. The auditors noted the following exceptions in the testwork:

- For two cases, DHS did not perform a required review of the beneficiary's Individualized Plan for Employment (IPE).
- For 3 cases, DHS did not certify eligibility within 60 days of the application date as required.

DHS' procedures for determining eligibility for the VR program rely heavily on case workers understanding of policies and program requirements which can be inhibited by case load volume. DHS has not established appropriate monitoring procedures to ensure eligibility determinations are performed and documented in accordance with program requirements.

In discussing these conditions with DHS officials, they stated human error causes eligibility and Individualized Plan for Employment (IPE) timelines to be missed.

Updated Response: Implemented.

- The Division will notify those staff that had a case cited of the deficiency noted by the auditors.
- Timely completion of eligibility certification and IPE development is a key feature of VR training. Timeliness was one of the items on the Quick Reference Checklist developed in conjunction with the State Rehab Council and distributed to all offices fall 2018.
- All new VR counselors are trained in the timeliness requirements. Several reports in our WebCM case management system are available to local office supervisors to help them identify situations where an individual counselor is failing to meet timeliness requirements. These individuals can be referred for additional training or put under a plan of correction by the office supervisor. Annual quality assurance reviews at the office level provide feedback on the timeliness of meeting VR requirements for certification of eligibility and service plan development. DHS has sufficient information available to identify individual performance and provide remedial training as needed.

17-16. The auditors recommend DHS implement procedures to ensure fringe rates in the payroll system, which are subsequently allocated through the Public Assistance Cost Allocation Plan (PACAP), are consistent with those approved by DCMS. (Repeated-2016)

Finding: DHS did not identify that fringe benefit rates had not been updated prior to allocating costs to its federal programs.

Personal service (payroll and fringe benefits) expenditures represent the majority of expenditures allocated to federal programs. Personal service expenditures are approved on an annual basis (or more frequently if needed) through the completion of Department of Central Management Services employee information (CMS-2) forms which are filed within each employee's personnel file.

During the review of 140 employee payroll and fringe benefit charges (totaling \$536,228) allocated to DHS' federal programs during the year ended June 30, 2017, the auditors noted DHS did not have adequate procedures in place to verify the fringe rates allocated through the PACAP were accurate and consistent with the applicable rates approved by DCMS. Specifically, the auditors noted the DCMS approved dental rates were \$41.27, \$22.03 and \$11.07; whereas, the dental rates allocated by DHS were \$40.14, \$21.57 and \$10.88, respectively, which resulted in costs of \$2.60 not being allocated for the six employees sampled. Upon further review, the auditors noted the benefit rates allocated by DHS were

less than the approved rates established by DCMS for 1,089 transactions resulting in undercharges of \$594.

While the costs charged to the program were understated by an immaterial amount, the control deficiencies identified in prior year audits have not been corrected by DHS. Specifically, the auditors noted DHS has not established controls to verify the accuracy of any of the fringe rates associated with benefit charges allocated through the PACAP.

In discussing these conditions with DHS officials, they stated the entry of this data into the Payroll System is performed by staff at the Department of Innovation and Technology (DoIT) and is not subject to review procedures at DHS.

Updated Response: Implemented.

- Staff in the Bureau of Payroll and Benefits is now reviewing data that is entered into the Payroll System by the Department of Innovation & Technology (DoIT) staff.