

**Review: 4251  
Statewide Single Audit  
Year Ended June 30, 2005  
Department of Public Aid**

**05-32. The auditors recommend IDPA review the process and procedures in place to identify expenditures to be used to meet requirements of its federal programs and implement changes necessary to ensure the same expenditures are not used under multiple programs.**

**Findings:** State funded Low-Income Home Energy Assistance program (LIHEAP) expenditures were improperly used both to meet the maintenance of effort (MOE) requirement of the Temporary Assistance for Needy Families (TANF) program and to obtain leveraging incentive awards under the LIHEAP program.

The auditors noted the State LIHEAP expenditures reported by the Department of Public Aid on the annual LIHEAP Leveraging reports submitted for awards received in federal FY04 and FY05 were also used by the Department of Human Services to meet the TANF maintenance of effort requirement in each of the those years.

The state LIHEAP amounts reported under each program and the leveraging incentive award amounts are as follows:

<b>Federal Fiscal Year</b>	<b>LIHEAP Expenditures Used for TANF MOE</b>	<b>Expenditures Reported for Leveraging Incentive</b>	<b>Leveraging Incentive Award</b>
2004	\$28,381,856	\$73,205,559	\$732,845
2005	\$29,597,894	\$93,681,548	n/a – not awarded

According to federal rules, expenditures that a State makes as a condition of receiving federal funds under another program (except for certain childcare expenditures) cannot be used to meet the TANF maintenance of effort requirement. In addition, funds or other resources that have been or will be used as matching or cost sharing for any federal program are not countable under the LIHEAP leveraging incentive program. Finally, the A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure the same expenditures are not used to meet the requirements of multiple federal programs, except where specifically allowed by law.

In discussing these conditions with IDPA officials, they stated that Office of Energy Assistance staff were unclear on the restriction of utilizing the non-federal LIHEAP

expenditures on both the LIHEAP Leveraging Report and the TANF Maintenance of Effort (MOE) Report.

**Updated Response:** Implemented. The Department has developed a schedule for repayment of the overpaid LIHEAP leveraging award that had been distributed to Illinois. The repayment should be completed in FY 2007. In addition, procedures have been implemented to ensure expenditures are not used under multiple federal programs.

**05-33. The auditors recommend IDPA establish procedures to ensure all subrecipients receiving federal awards have audits performed in accordance with OMB Circular A-133 and centralize its procedures for performing desk reviews of A-133 audit reports for all federal programs. Additionally, we recommend IDPA revise the database used to document desk reviews to include the specific procedures performed to assess whether subrecipient A-133 audit reports meet the applicable reporting standards.**

**Findings:** IDPA does not have an adequate process for ensuring subrecipients of the Child Support Enforcement program (Child Support), the Low-Income Home Energy Assistance program (LIHEAP), and Medicaid Cluster, have complied with OMB Circular A-133 audit requirements.

IDPA requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDPA program staff for each of the programs listed above are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPA records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, program staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, adverse) and issuing management decisions on findings reported within required timeframes.

During testwork over 10 subrecipients of the Child Support program, 10 subrecipients of the LIHEAP program, and 30 subrecipients of the Medicaid Cluster, the auditors noted the following:

- There were four subrecipients of the LIHEAP program and one subrecipient of the Child Support program for which no OMB Circular A-133 audit report was received.
- There were one subrecipient of the Child Support program and nine subrecipients of the Medicaid Cluster that received less than \$500,000 in federal funds from IDPA for which IDPA did not receive an OMB Circular A-133 audit report and did not perform procedures to determine whether an audit was required to be performed if the subrecipient received federal assistance from other organizations that collectively would have exceeded the \$500,000 threshold.

- There were six subrecipients of the LIHEAP program for which A-133 audit reports were obtained within required timeframes; however, IDPA had not performed desk review procedures over these reports as of the date of our testwork.
- The standard A-133 audit report desk review checklist was not completed for the eight Child Support subrecipients selected in our sample for which A-133 reports were received. Upon further investigation, IDPA had implemented an electronic database system to document the results of its desk reviews; however, the database does not require the reviewer to document the procedures performed to determine whether all required elements of the OMB Circular A-133 audit report are present.

Subrecipient expenditures under the federal programs for the year ended June 30, 2005 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2005 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2005 Program Expenditures</b>	<b>%</b>
Child Support	\$20,026,000	\$94,530,000	21.2%
LIHEAP	95,070,000	107,156,000	88.7%
Medicaid Cluster	65,119,000	6,075,828,000	1.1%

A pass-through entity is required to monitor the activities of subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, a pass-through entity is required to 1) ensure that subrecipients audits are completed within 9 months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

In discussing these conditions with IDPA officials, they stated:

- The LIHEAP program was transferred from the Illinois Department of Commerce and Economic Opportunity (DCEO) to IDPA in State fiscal year 2005. DCEO's A-133 review process was centralized, whereas IDPA's process is decentralized. As a result, staff performing the reviews were not transferred to the Department.
- Child Support was unaware that the database needed to mirror the desk review checklist.
- OMB Circular A-133 does not require from subrecipients a certification of whether the \$500,000 threshold had been reached.

**Response:** The Department accepts the finding. In addition, the Department is in the process of mitigating risk by centralizing the Circular A-133 review of audit reports. Approval has been received to add additional permanent staff to perform on-site reviews.

- The Department will request subrecipients to provide information on the total federal awards they have received from all sources.
- Child Support Enforcement has submitted a PIR to implement changes to their database to ensure documentation of the specific procedures performed.

**Updated Response:** Implemented. For FY 2007, the Department began implementing the following changes: 1) centralizing the A-133 audit review function, 2) using the standardized A-133 checklist, 3) maintaining a centralized database that identifies funding levels and tracking the receipt of A-133 audits from required reporters, and 4) utilizing a combination of full-time employees and contractual staff to ensure that the A-133 audits are reviewed and closed out within the federally-prescribed time frames.

**05-34. The auditors recommend IDPA implement control procedures to ensure that all TANF recipients who are non-cooperative in establishing paternity are referred to IDHS for proper sanctions. (Repeated-2004)**

**Findings:** IDPA did not refer recipients of the Temporary Assistance for Needy Families (TANF) program who have been non-cooperative in establishing paternity under the Child Support Enforcement Program to the Illinois Department of Health and Human Services (IDHS) to enforce sanctions.

In the 50 cases reviewed, the auditors noted the following:

- IDPA did not refer four cases to IDHS in a timely manner which resulted in IDHS not being able to take the proper action to either reduce or deny TANF benefits. Benefits paid to these individuals during the year ended June 30, 2005 were \$2,525.
- IDHS did not sanction beneficiaries for non-cooperation or document good cause existed for the non-cooperation with IDPA. Upon further discussions with IDHS and IDPA management, the process for identifying individuals who did not cooperate with IDPA was suspended during the period May 13 through September 30, 2004, and as a result, approximately 3,712 cases were not evaluated to determine whether sanctions were required during this period. Benefits paid to these individuals during the period from May 13, 2004 to June 30, 2004 were \$504,466. Benefits paid to these individuals during the period July 1, 2004 to September 30, 2004 were \$1,784,184.

If the State finds that the individual is not cooperating in establishing paternity, or in establishing, modifying, or enforcing a support order with respect to a child of the

individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance.

In discussing these conditions with IDPA officials, they stated the Division of Child Support Enforcement introduced a new intake process in April 2004, which involved mailing clients a questionnaire. During transition to the new system some clients missed scheduled interviews, due to timing problems in the scheduling process rather than non-cooperation on their part. To address this, the Department rescheduled appointments and did not report clients, who had failed to show for interviews, as non-cooperative until the new intake system was fully implemented.

**Response:** The Department does not agree with this finding. The Department notes that this repeat finding is due to the cross-over in fiscal years of a one-time implementation of the Division of Child Support Enforcement's new intake model. During the implementation period, the Department delayed referral of cases impacted by transition until a proper evaluation determined the cases to be non-cooperative. Upon such determination, the Department promptly referred all such cases to IDHS to enable initiation of the sanction enforcement process. The transition period has ended and the new intake process continues to ensure that all TANF recipients who are non-cooperative are referred to IDHS for proper sanctions.

**Auditors' Comment:** The TANF State Plan clearly states IDHS is required to sanction TANF recipients who fail to cooperate with the Child Support Enforcement program where there is not valid good cause for failing to cooperating with the Child Support Enforcement program. As discussed in the finding above, for the period from May 13, 2004 through September 30, 2004, IDHS did not evaluate 3,712 TANF cases in which a notice of non-cooperation was generated by the KIDS system to determine whether good cause existed. Instead, IDHS and IDPA agreed to grant these cases amnesty due to the change in the Child Support Enforcement intake process without further investigation or evaluation. We do not believe it is within the State's authority to determine good cause existed without first evaluating the specific facts and circumstances pertaining to each case in accordance with its established policies and procedures.

**Updated Response:** Implemented. Non-cooperation notices are being generated by KIDS and sent to DHS in a timely fashion.

**05-35. The auditors recommend IDPA implement procedures to ensure adequate supporting documentation is maintained for all federal reports.**

**Findings:** IDPA did not maintain adequate supporting documentation for household data included in the Annual Report on Households Assisted by the Low-Income Home Energy Assistance Program (LIHEAP).

During testwork over the FFY 2005 LIHEAP report, the auditors noted IDPA did not maintain documentation supporting the household information reported. IDPA queried the system for the household data relative to the number of individuals receiving heating assistance during the audit; however, the number of individuals included in each heating assistance demographic category per the query did not agree to the number of individuals included in the same category in the report submitted. IDPA was not able to reconcile the differences identified or provide supporting detail for the other assistance categories. The unreconciled differences identified were as follows:

<b>Report Line Item</b>	<b>Number of Individuals Per Report</b>	<b>Number of Individuals Per Supporting Documentation</b>	<b>Difference</b>
Under 75% Poverty	146,400	149,618	3,218
75 to 100% Poverty	76,728	71,517	(5,211)
101 to 125% Poverty	53,732	53,767	35
126 to 150% Poverty	34,105	34,906	801
60 years or older	109,753	146,200	36,477
Disabled	93,990	121,103	27,113
Age 5 years or under	60,633	65,669	5,036

In discussing these conditions with IDPA officials, they state the report provided to the auditors is a point-in-time report and the discrepancies appear to be the result of a timing difference between when the report was generated for submission to USDHHS, and the subsequent supporting documentation report was generated for the auditors.

**Updated Response:** Implemented. The Department has implemented procedures to ensure the supporting documentation for the Performance Report is maintained.

**05-36. The auditors recommend IDPA implement procedures for investigating and reviewing employer information request responses to ensure all potential third party insurers from whom potential reimbursement should be available are identified. (Repeated-2001)**

**Findings:** IDPA does not adequately follow up with employers to identify third parties who may be liable for medical services provided to a beneficiary.

IDPA has developed a number of methods for identifying third party insurers who may be liable for medical payments made on the behalf of a Medicaid beneficiary. The method, which has the greatest potential for identifying third party insurers, includes performing a data match with the Illinois Department of Employment Security to identify Medicaid beneficiaries who are employed and who have earned wages in excess of \$5,000. When a potential employer for a beneficiary is identified by the quarterly match, IDPA sends a letter to the employer requesting information related to the existence of employer provided health insurance. When a response is received from an employer indicating the existence

of a potential third party insurer, the information is input to the Medicaid Management Information System (MMIS).

During testwork, the auditors noted IDPA implemented procedures in FY05 to track information requests sent to employers; however, IDPA has not implemented procedures to investigate non-responses. Further, IDPA does not have a review process in place to ensure all responses received are entered into MMIS or information entered is accurate and complete.

In discussing these conditions with IDPA, they stated the limited staff resources were better utilized by concentrating efforts on other areas of identifying third-party insurers and maintaining the accuracy of the MMIS TPL database. The employed recipient match is not a mandated TPL activity. Illinois employers have no legal obligation (state or federal) to respond to TPL's inquiries regarding possible employer-provided health insurance coverage. The match is one of ten or more mechanisms used by TPL to identify potential third-party resources.

**Auditors' Comment:** The federal regulations clearly require IDPA to have a system to identify medical services that are the legal obligation of third parties and that third party resources should be exhausted prior to paying claims with program funds. These regulations, however, do not specifically articulate what constitutes an "adequate system." As with most federal regulations, judgment must be applied in considering what is the substantive intent of the legislation and what a "prudent person" would consider is reasonable in similar circumstances. Prudent business practice suggests that simply sending a letter to an employer once every eighteen months with no follow up is not adequate. Additionally, prudent business practice suggests that IDPA should explore the potential for greater recoveries by undertaking certain simple follow up procedures with non-responsive employers.

As of the date of our report, this finding has not been resolved with USDHHS.

**Updated Response:** The Department does not agree with the finding. Taken as a whole, HFS' system has proven very effective in identifying and collecting from third-party employers, as evidenced by national reports which indicate Illinois is recognized by the federal government as one of the top states in third-party collections. In addition, the cross-matching requirements of the recently-enacted Deficit Reduction Act have significantly reduced the importance of employer-based TPL identification projects. The HHS-CMMS representative has expressed non-concurrence with this finding and HFS continues to work with federal HHS-CMMS to pursue resolution of this finding. The Department is awaiting written notification from either the auditors or HHS-CMMS regarding resolution, clearance, and close-out of this finding.

**05-37. The auditors recommend IDPA follow procedures established to ensure interviews with custodial parents are performed on a timely basis. We also recommend IDPA ensure the results of interviews with custodial parents are**

**documented along with attempts to obtain additional information or locate the non-custodial parent. (Repeated-2001)**

**Findings:** IDPA did not conduct interviews with custodial parents in a timely manner and did not adequately document its attempts to locate non-custodial parents within the Key Information Delivery System (KIDS).

During testwork of 60 child support cases, the auditors noted the following:

- Six cases (10%) in which interviews with custodial parents were not scheduled for timeframes ranging from 29 days to 37 days after the referral or application had been received.
- Two cases (3%) in which interviews with custodial parents were performed; however, location procedures for the non-custodial parent were not performed or adequately documented.
- One case (2%) in which the case should have been closed, but remained active.

In discussing these conditions with IDPA officials, they stated three of the six cases involved interviews with clients prior to the implementation of the business process re-engineering. The remaining three cases were put into the scheduling queue by priority for the next available appointment. Although staff strive to fully document all events and follow-up actions, in a few instances documentation was missing, resulting in the delay of further action.

**Response:** The Department accepts the finding. Prior to a face-to-face interview, the client is sent a questionnaire to obtain needed case information. When the needed information is received, the client is scheduled for the next available appointment. Management has addressed with field staff the need for complete documentation and follow-up actions. The reduction in the number of exceptions noted during this audit period demonstrates the positive effect of the business process re-engineering the Department has implemented.

**Updated Response:** Implemented. The Department continues to improve efficiencies identified through process improvement cycles. For all newly opened cases, for which additional information is needed, the first step in the interview process is to send the client a questionnaire to solicit the needed information. This step was added to the procedures to strengthen them and ensure interviews are scheduled efficiently and within the required timeframe. The Department uses staff meetings, InfoNet information delivery system, and senior operation meetings to reinforce the importance of proper case management and documentation of the various parent location procedures utilized.

**05-38. The auditors recommend IDPA:**

- **Implement procedures to ensure that (1) the rationale for selecting claims data for further review is documented; (2) formal claims data review**



**procedures are documented; and (3) any claiming errors identified are resolved in a timely manner.**

- **Develop comprehensive written procedures for determining which subrecipients should be selected for on-site reviews. If a risk based approach is utilized for selecting subrecipients for review, we recommend IDPA establish formal risk criteria and ensure that all risk assessments are adequately documented. (Repeated-2003)**

**Findings:** IDPA is not adequately monitoring subrecipients of the Medicaid Cluster.

IDPA passed through approximately \$65,119,000 in Medicaid funding to the Local Education Agencies (LEAs) during the year ended June 30, 2005 to assist IDPA in identifying students whose families may need Medicaid assistance and to monitor the coordination of the student's medical care. IDPA's subrecipient monitoring process includes (1) providing subrecipients with technical guidance through training sessions, provider notices, and handbooks; (2) performing data analysis of electronic claims data; (3) performing desk reviews of quarterly administrative claims documentation; (4) performing on-site reviews of subrecipient operations; and (5) performing desk reviews of single audit reports. However, during the review of the monitoring procedures performed by IDPA for 30 subrecipients, the auditors noted the following:

- The rationale for claims selection was not documented, nor were all claims identified on the exception report selected for further review procedures. Additionally for the reviews that had been performed, the specific procedures performed were not documented, nor were adjustments identified during the review made in a timely manner.
- On-site reviews were not performed during the year ended June 30, 2005 for any of the 30 LEAs selected for testwork. We also noted only 29 LEAs were subject to on-site reviews out of approximately 900 LEAs that received Medicaid funding during the year ended June 30, 2005.

In discussing these conditions, IDPA officials stated they have documented procedures; however, they are not at a level sufficient for audit purposes.

**Response:** The Department accepts the finding and will work to refine our documentation criteria and procedures to ensure an audit trail is present. In FY05, the Department secured the services of two temporary staff to assist in the performance of on-site reviews. In addition, the Department is in the process of centralizing the A-133 review process and has obtained approval to add additional permanent staff to perform on-site reviews. We do agree that documentation could be consolidated to make it easier for external entities to assess the Department's procedures. However, we disagree with the statement that adjustments were not identified timely. Claiming of subrecipient costs is completed through a quarterly process, as defined by the Federal Centers for Medicare and Medicaid Services. Federal rules also allow local governments up to two years to

claim Medicaid costs. As a result, the identification of potential errors often cannot be known until several quarters after costs are incurred.

**Auditors' Comment:** As noted in the response above, the current procedures used by IDPA results in errors and adjustments in subrecipient expenditure claims being identified and returned to the Medicaid program several quarters after the costs are incurred and reported to IDPA. We believe these adjustments should be identified and made in a more timely manner.

**Updated Response:** Implemented. For FY 2007, the Department's Medical Division has developed and implemented a comprehensive subrecipient monitoring manual. The manual details written procedures for selection of subrecipients' claims for review, procedures for both desk reviews and on-site reviews, and review follow-up and corrective action processes. Incorporated into these procedures is a formal risk assessment methodology, which is the basis for the review selection process. The manual also prescribes the documentation standards and procedures for all aspects of the Division's subrecipient monitoring activities. The process for adjusting the claims, along with time frames, is described in the manual.

**05-39. The auditors recommend IDPA follow procedures established to ensure support orders are established within the required timeframes and ensure failed attempts to establish support orders are adequately documented. (Repeated-2004)**

**Findings:** IDPA did not adequately perform procedures to ensure support orders were established within required time frames or did not document failed attempts to serve process.

In discussing these conditions with IDPA officials, they stated that, although the Department strives to comply with the 90-day timeframe in every instance, cases are dependent upon the judicial scheduling of court dates. Some judicial cases have mitigating circumstances that prolong the court process and result in a support order not being entered within the 90-day timeframe.

**Updated Response:** Implemented. The Department now uses private process servers in Cook County, which has significantly improved the timeframe for establishment of first-time support orders. In addition, the Department continues to work with our legal liaison to document, on the KIDS system, any unsuccessful attempts to serve orders.

**05-40. The auditors recommend IDPA work with the Governor's Office of Management and Budget to ensure all programs exceeding the CMIA threshold are included in the TSA.**

**Findings:** IDPA did not include the State Children's Insurance Program (SCHIP) in the Treasury State Agreement (TSA) for the year ended June 30, 2005.

Annually, the State of Illinois negotiates the TSA with the U.S. Department of Treasury, which details the funding techniques to be used for the draw down of federal funds. The TSA is required to include all major federal assistance programs based on the most recent single audit data available. During the cash management testwork the auditors noted IDPA did not include SCHIP in the TSA. Based upon the June 30, 2004 single audit report, this program was considered a major federal assistance program. The program expenditures exceeded the \$60,000,000 threshold during the year ended June 30, 2005, and as such, should have been included in the TSA.

According to 31 CFR 205.9(b), a State must use its most recent Single Audit report as a basis for determining the funding thresholds for major federal assistance programs to be included in the TSA, and the TSA must be amended as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or not longer applicable. A State must notify Federal Management Services within 30 days of the time the State becomes aware of a change, and must describe the change in the notification.

In discussing this matter with IDPA personnel, Department staff stated the initial TSA for FY05 required that major federal assistance programs should be determined based on the State Single Audit for fiscal year ending June 30, 2003. The SCHIP grant expenditures did not exceed \$60,000,000 in FY03; however, the Department should have amended the TSA to include the SCHIP grant when it qualified as a major federal assistance program in FY05.

**Updated Response:** Implemented. The Department worked with the Governor's Office of Management and Budget and the SCHIP grant was included in the Treasury State Agreement, effective July 1, 2006.

**05-41. The auditors recommend IDPA establish procedures to ensure grantees receiving individual awards for \$25,000 or more certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance program.**

**Findings:** IDPA did not obtain required certifications that subrecipients were not suspended or debarred from participation in federal assistance programs for its Child Support Enforcement program and Medicaid Cluster programs which received approximately \$20,026,000 and \$65,119,000 in pass through funds for subrecipients of the Child Support program and Medicaid Cluster, respectively.

During the review of 10 subrecipients of the Child Support program and 30 subrecipients of the Medicaid Cluster, the auditors noted IDPA did not include a suspension and debarment certification in its subrecipient agreements. As a result, IDPA did not receive

certifications that any of the subrecipients of the Child Support and Medicaid Cluster programs were not suspended or debarred from participation in federal assistance programs. Additionally, IDPA did not perform a verification check with the “Excluded Parties List System” (EPLS) maintained by the General Services Administration for any of its subrecipients.

In discussing these conditions with IDPA officials, they stated the suspension and debarment clause was not included in the Medicaid Cluster subrecipient intergovernmental agreements and was removed from the Child Support intergovernmental agreements because of the guidance that a county entity could not be suspended or debarred. Although employees from a county entity could be suspended or debarred, the governmental unit itself was responsible for the agreement.

**Updated Response:** Implemented. The Department has developed and implemented procedures to perform an annual verification check with the “Excluded Parties List System” (EPLS), maintained by the General Services Administration, to determine whether any of the Department’s subrecipients were suspended or debarred from participation in Federal assistance programs. In addition, the suspension and debarment clauses will be included in the future contracts.

**05-42. The auditors recommend IDPA review the process and procedures in place to prepare Financial Status Report and supporting schedules and implement changes necessary to ensure these reports are accurate.**

**Findings:** IDPA did not properly report obligated and unobligated amounts in the annual Financial Status Report (SF-269) for the Low-Income Home Energy Assistance Program (LIHEAP).

During testwork over the Financial Status Report for the FFY04, the auditors noted that some amounts were inaccurately reported as follows:

Report Line Item	Amount Per Report	Amount Per Supporting Documentation	Difference
Total unliquidated obligations	\$ 0	\$ 24,508,344	\$(24,508,344)
Federal share of unliquidated obligations	0	24,508,344	(24,508,344)
Unobligated balance of federal funds	24,508,344	0	24,508,344

As all LIHEAP funds are obligated in the year the award is received, there are no unobligated federal funds to report on the Financial Status Report.

In discussing these conditions with IDPA officials, they indicated they were not using the latest version of the OMB form 269, which did not clearly distinguish between obligated and unobligated funds.

**Updated Response:** Implemented. On August 2, 2006, the Department submitted an amended 2005 claim on the revised Standard Form 269A. The Department has established procedures to verify that the most current version of the Financial Status Report is completed and submitted.

**05-43. The auditors recommend IDPA establish procedures to monitor compliance with the earmarking requirements of the LIHEAP program on an aggregate statewide basis.**

**Findings:** IDPA does not adequately monitor earmarking requirements related to energy needs reduction for the Low- Income Home Energy Assistance Program (LIHEAP)

Under the LIHEAP program, IDPA is required to limit expenditures of federal funds related to planning and administration, weatherization, home energy needs reduction, and the identification, development and demonstration of leveraging programs based on federal earmarking requirements.

During testwork, the auditors noted IDPA does not have procedures in place to accumulate and monitor statewide expenditures for the home energy needs reduction programs to ensure compliance with the earmarking requirement on an aggregate basis. Subsequent to testing, IDPA prepared a schedule which aggregated the statewide expenditures for home energy needs assistance and demonstrated the federal earmarking requirement was not exceeded.

In discussing these conditions with IDPA officials, they stated the Office of Energy Assistance ensures that the earmarking requirements are met by only distributing at or below the allowable amounts in each specific budget category (specifically, program support and administration); therefore, only amounts to be expended that are at or below the earmarking levels are allowed. Due to these control measures, we saw no need for earmarking monitoring on a statewide basis after budgets were executed.

**Updated Response:** Implemented. The Department has developed a statewide report of the obligated amounts, by budget category, to enable monitoring of the earmarking requirements on a statewide basis. The report will be used throughout the program year to ensure that earmarking requirements are met.