LEGISLATIVE
AUDIT
COMMISSION

Review of
Department on Aging
Two Years Ended June 30, 2010

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REVIEW: 4361
DEPARTMENT ON AGING
TWO YEARS ENDED JUNE 30, 2010

FINDINGS/RECOMMENDATIONS - 12

ACCEPTED - 10
IMPLEMENTED - 2

REPEATED RECOMMENDATIONS - 5

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 13

This review summarizes the auditors' report on the Department on Aging for the two years ended June 30, 2010, filed with the Legislative Audit Commission on May 26, 2011. The auditors performed a compliance examination in accordance with State law and G*overnment Auditing Standards*.

The Department on Aging was created by the State Legislature in 1973 for the purpose of improving the quality of life for Illinois' senior citizens by coordinating programs and services enabling older persons to preserve their independence as long as possible. It is the single State agency in Illinois authorized to receive and dispense Federal Older Americans Act funds through area agencies on aging and community-based service providers. Appendix A presents statistical information on the Department's State Community Care Program. The average monthly caseload in FY10 was 60,400. The average caseload in FY99 was 35,803.

The Director of the Department during the audit period was Charles D. Johnson. He became the Director on March 1, 2003. Upon his retirement, Michael Gelder was named Acting Director effective August 2, 2011. Dr. John K. Holton was appointed Director effective October 24, 2011. Director Holton was not previously associated with the Department on Aging; however, he was Associate Director of the division of Mental Health at DHS from 2007 through 2010. The average number of persons employed by the Department was as follows:

Division	**2010**	**2009**	**2008**
Executive Office	10.0	10.0	10.0
Division of Home and Community Service	36.0	37.0	34.5
Division of Planning, Research and Development	9.0	10.0	8.0
Division of Finance and Administration	32.0	32.0	31.0
Division of Communications and Outreach	31.0	30.0	29.5
Division of Circuit Breaker and Pharmaceutical Assistance	43.0	43.0	42.0
TOTAL	161.0	162.0	155.0

Expenditures From Appropriations

The General Assembly appropriated a total of $745,171,082 to the Department for FY10. Total expenditures in FY10 were $727,338,169, compared to $606,480,219 in FY09, an increase of $120.8 million, or 20% above FY09. For FY10, the General Assembly changed the appropriation process for operating expenses and grants paid from GRF. The Department received a lump sum appropriation for operational expenses and grants, not including personal service expenditures, rather than individual appropriations designated for specific purposes. According to the FY11 and FY12 budget books, of the total appropriation, approximately $678.1 million was expended for grant purposes, while the remaining $49.2 million was expended for operating expenses. Of the total appropriation, $656.2 million, or 87.5%, is from the General Revenue Fund, with 10.8% from the Older Americans Fund and two other funds. Appendix B presents a summary of appropriations and expenditures for FY10 through FY08. According to the audit report and the budget books, significant variations in expenditures from FY09 to FY10 primarily occurred as follows:

- $200 million increase for grants and administrative expenses associated with the purchase of services covered by the Community Care Program;
- $64.2 million decrease eliminated wage increases and health insurance reimbursements for homemakers;
- $19.8 million decrease in Circuit Breaker/Pharmaceutical Assistance;
- $4.0 million increase in Title III Nutrition Services;
- $3.3 million increase in Title V Employment Services;
- $2.3 million decrease in Case Management; and
- $1 million decrease eliminated the Red Tape Cutter Program in Chicago and the suburban area.

Lapse period expenditures were 4.5%, or $33.2 million in FY10.

Cash Receipts

Appendix C is a summary of cash receipts of the Department for FY10 through FY08. Total cash receipts were $61,644,471 in FY09 compared to $68,734,282 in FY10, an increase of $7.1 million, or 11.5%. The changes in cash receipts were due to the receipt of $2.3 million more in funds from the U.S. Department of Health and Human Services. Also, due to the award of about $4.1 million in ARRA Funds late in the fourth quarter of FY09, the Department was unable to receive drawdowns until FY10.

Property and Equipment

Appendix D is a summary of property and equipment transactions of the Illinois Department on Aging during the period under review. The balance increased from $1,905,772 as of July 1, 2008 to $1,982,852 as of June 30, 2010. The increase was due to equipment purchases.

Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations presented in the report. There were 12 repeated recommendations. The following recommendations are classified on the basis of updated information provided by Jane Cullen, Chief Internal Auditor, Department on Aging, in a memo received September 29, 2011.

Accepted or Implemented

1. Strengthen controls to ensure that initial and ongoing reviews of applications, eligibility, and annual reporting for the enhanced reimbursement rate are conducted properly, in a timely manner, and in accordance with administrative rules. Ensure required information is obtained from providers and maintained to support agency determinations. In addition, obtain missing documentation and pursue reimbursement from providers for excessive or unsupported payments.

Finding: The Illinois Department on Aging (Department) spent $47.8 million for an enhanced rate for health insurance coverage to homecare workers during FY09 and FY10. Auditors tested almost $8.8 million of those expenditures and noted the Department lacked adequate controls and monitoring over eligibility determinations and payments made to service provider agencies that applied for and received a special hourly rate under the Community Care Program. The Department overpaid $333,799 to two providers, paid two other providers more than $7 million without ensuring eligibility, and failed to monitor four providers for excess payments.

Department officials stated that inadvertent oversight and lack of staffing led to the above errors and lack of monitoring. Also, Department officials stated that they are in the process of recouping funds from providers who improperly received payments.

Updated Response: Accepted. The Department has completed our review of initial applications for the enhanced rate for health insurance benefits. We required that all providers who submitted applications for the enhanced rate submit documentation to support that a health insurance policy or plan was in effect at the time of application and at least 25% of their direct care service workers were receiving health insurance benefits under the plan or policy. We are continuing our efforts to collect the required documentation for the annual health insurance review. The Department is also in the process of pursuing reimbursement from providers for excessive or unsupported payments. All information and documentation obtained from providers will be maintained to support agency determinations.

2. Review and revise the current system of gathering, compiling and retaining accounting data for the purpose of preparing GAAP reporting packages in order to prepare them timely, ensure accuracy, and maintain documentation

Accepted or Implemented - continued

> **supporting the amounts reported. Also, anticipate Comptroller's Office approval or follow up questions regarding financial reporting submissions.**

Finding: The Department submitted a GAAP reporting package to the Office of the Comptroller (Comptroller) 28 days late for one fund and did not respond to questions from the Comptroller regarding the submission in a timely manner, and did not exercise proper control over the preparation of the GAAP package and backup documentation thereto. In addition, auditors noted that the Department misreported one federal grant on financial reporting (GAAP) package form SCO-563. Auditors also noted the following:

- The Department did not provide the FY10 GAAP package, including backup schedules and award letters in its entirety, until 70 days after it was requested by the examiners for compliance examination purposes.

- The Department improperly combined the reporting of two federal grants under the United States Department of Agriculture Child Nutrition Program. For FY09 and FY10, the Department expended $2,602,000 in grants for the National School Lunch Program, but reported the entire amount under the Child and Adult Care Food Program.

According to Department officials, the employee who prepared the 2009 GAAP package was no longer with the Department, and, as a result, additional time was needed to learn the Department's system and to locate and recreate supporting documentation. In addition, during this time, the Department was preparing to move their main office to another location in Springfield, which contributed to the delays in providing information to the examiners. Department personnel stated they did not respond to questions from the Comptroller because staff were unaware of the questions from the Comptroller until further attempts to send them were made by the Comptroller's staff. Department staff stated the federal grants were combined on the GAAP package for consistency with past practice.

Updated Response: Accepted. The Department has developed a system and processes for gathering, compiling and retaining accounting data for the purpose of preparing its GAAP reporting packages in order to prepare them accurately and timely. The Department continues to work with the Comptroller's Office regarding final dates for submission of the financial reports and issues with the Wedge reporting system. The Department anticipates that all reports will be submitted timely and questions will be addressed promptly.

3. **Strengthen controls for monitoring of service provider activities by performing and consistently documenting follow-up on delinquent audit reports. Also, ensure that audit reports are reviewed by staff in a timely manner after they are received.**

Finding: The Department did not adequately monitor its Community Care Program service providers. During testing of 60 expenditures made to grantees and service providers, which consisted of 37 different vendors who received $664,223,021 during the examination period, auditors noted that the Department had not received annual audit reports for 11 (30%) of the service providers, and they had not followed up with the service providers to determine why the reports had not been submitted. Also, the Department's audit report review checklist had not been completed for 8 (31%) of the 26 reports that the Department had received from service providers.
Department officials stated vacancies in their fiscal area contributed to the audit reports not being reviewed by Department staff in a timely manner and contributed to service providers not being contacted when their reports were not submitted to the Department in accordance with administrative rules. They also stated that due to limited staffing, priority was placed on completing reviews of single audits since they are required by federal rules and regulations.

Updated Response: Accepted. The Department has developed processes for monitoring receipt of service provider audit reports and follow-up on delinquent audit reports. Staff continues their efforts to review audit reports timely after their receipt.

4. Implement procedures to ensure that reconciliations are reviewed and that discrepancies noted on them are corrected in a timely manner.

Finding: The Department did not exercise adequate control over the preparation and review of the reconciliation of the Department's balances of receipts, appropriations and expenditures with those reported by the Illinois Office of Comptroller (Comptroller). Auditors noted the following:

- A $50,251 discrepancy remained unresolved after eleven months.
- Refunds to the Department totaling $90,804 were noted on the reconciliation prepared at June 30, 2010 as not being posted to the Department's expenditures.
- Payroll vouchers totaling $94,143 for the pay period ending June 30, 2010 were not posted to the Department's expenditure records as of August 31, 2010. The vouchers were noted as being in error status.
- A $500,000 appropriation reconciling item was noted on all fiscal year 2010 reconciliations due to an incorrect appropriation amount being input into the Department's accounting system.
- Reconciliations of receipts, appropriations and expenditures prepared by staff in the fiscal area were not being subjected to supervisory review.

According to Department officials, the discrepancies were not corrected in a timely manner due to lack of an immediate supervisor in place to perform the review function on the reconciliations.

Accepted or Implemented - continued

<u>Updated Response:</u> Accepted. Department management continues to monitor the reconciliation of receipts, appropriations, and expenditures to ensure that all discrepancies noted on them are corrected in a timely manner.

5. Seek the timely appointment of additional members to committees as necessary and attend meetings of the Social Security Number Protection Task Force, the Health Data Task Force, and the Senior Pharmaceutical Assistance Review Committee or seek legislative remedy from these committee requirements. (Repeated-2006)

<u>Finding:</u> The Department did not make appointments to or appointed members did not serve on various bodies created by the General Assembly.

During testing, auditors noted that the Department did not make the required appointments to the Social Security Number Protection Task Force and the Health Data Task Force. Auditors also noted that the Department's designee on the Senior Pharmaceutical Assistance Review Committee did not attend quarterly meetings during FY09 and FY10.

Additionally, the Senior Pharmaceutical Assistance Act requires the Director of Aging or his designee to serve on the Senior Pharmaceutical Assistance Review Committee, which is required to hold meetings at least quarterly.

<u>Updated Response:</u> Implemented. The Department has appointed members to the Social Security Number Protection Task Force and the Health Data Task Force. The Department Director is the co-chair of the Senior Pharmaceutical Assistance Review Committee. The Senior Pharmaceutical Assistance Act (30 ILCS 50/15) has been revised to require that meetings be held as necessary at the call of the co-chairs.

6. Implement the Community Senior Services and Resources Act, including promulgating rules, regulations, guidelines, and directives necessary to implement the Act, facilitating access to government-issued bonds as called for under the Act, providing technical assistance to centers, conducting annual surveys, and pursuing alternative funding sources. Further, report annually to the Governor and the General Assembly. If the recommendations are found to be unattainable or if the duties under this Act are being substantially met by other duties performed by the Department, seek a legislative remedy to these requirements. Subject to the availability of and level of appropriations for grants for community senior service and resource centers, comply with statutory requirements for such grants. (Repeated-2004)

Finding: The Department failed to implement the provisions of the Community Senior Services and Resources Act (Act), which requires the Department to perform the following duties:

- Promulgate any rules, regulations, guidelines, and directives necessary to implement the Act.
- Make grants to non-profit agencies and units of local government to the extent of the availability and level of appropriations made for this purpose by the General Assembly.
- Facilitate access to government-issued bonds for the purpose of capital improvement.
- Provide technical assistance to community senior service and resource centers.
- Develop a comprehensive list of centers and the senior services they offer for publication on the Department's website and for distribution through other promotional opportunities.
- Develop a survey for annual distribution through the centers to gather information concerning the lack or inadequacy of senior services and to identify service demand trends and the unique needs of older Illinoisans and their families.
- Conduct an annual survey of centers to assess their facility, program and operational needs.
- Report annually to the Governor and the General Assembly.
- Pursue alternative funding opportunities.

During testing auditors noted that the Department had not promulgated any rules, regulations, guidelines or directives necessary to implement the Act. According to Department management, their efforts to obtain a General Assembly appropriation and to pursue alternative funding from those sources outlined in the legislation to administer the provisions of the Act have been unsuccessful.

Updated Response: Implemented. This Act has been repealed.

7. Establish internal controls to ensure compliance with statutes and the SAMS manual to ensure that contracts are properly executed prior to commencement and that templates used to prepare contracts are kept up to date.

Finding: Department contracts did not contain all ethical certifications and signatures required by statute. Also, contracts were signed by the Department after the effective date had passed. During compliance testing of contracts, auditors noted nine of 62 contracts tested were missing certain ethical certifications required to be in the contract such as:

- Equal Employment Opportunity and Non-Discrimination, Illinois Humans Rights Act
- Discriminatory Club Act
- Non compliance with Environmental Protection Act, Illinois Procurement Code
- Collection and Remittance of Illinois Use Tax, Illinois Procurement Code
- Debt Delinquency, Illinois Procurement Code

Accepted or Implemented - continued

- No conviction of a felony under Sarbanes-Oxley Act of 2002, Illinois Procurement Code
- State Prohibition of Goods from Forced Labor Act
- Procurement of Domestic Products Act
- State Prohibition of Goods from Child Labor Act
- Certification of registration with the State Board of Elections, Illinois Procurement Code

Also, one contract for $294,390 for computer consulting services did not contain all of the required signatures. The contract for computer consulting services contained the signatures of the Director and Chief Fiscal Officer, but was not signed by the Chief Legal Counsel.

Department officials stated that contracts were missing required ethical certifications due to staff not consistently preparing the contracts using the most recent contract template, which contains all of the required ethical certifications. They stated that the signature of the Chief Legal Counsel was missing due to inadvertent oversight. Department officials stated that payment for services on the internship contract signed subsequent to the effective date was not made until one month after the signature date. They also stated that contracts were signed after the effective date due to delays with both parties to the contracts which made it unfeasible to obtain signatures by the effective date.

Response: Accepted. The Department will work to update current agreements and develop standard formatting for contracts governed by the Procurement Code and for state and federal grants issued by the Department. The Department will ensure that these formats include all necessary certifications. The Department also will implement a process for updating these agreements to ensure timely incorporation of any added or revised certifications or other contract requirements.

8. Require employees to sign and submit timesheets on a periodic basis. Direct supervisors to regularly document their review of employee timesheets. Also, comply with the Ethics Act by amending the template used by bargaining unit employees to include documentation of the time spent on official State business.

Finding: The Department's policies over supervisory review of employee timesheets is inadequate and timesheets for some did not document the amount of time spent on official State business. During testing of 40 employee timesheets auditors noted the following exceptions:

- Twenty-two timesheets did not contain documentation of supervisory review.
- Twenty-one timesheets (timesheets of bargaining unit employees) did not report the amount of time spent on official State business.

Department management thought that controls over employee timesheets were sufficient to meet requirements of the Act. Other exceptions noted were due to oversight.

Updated Response: Accepted. The Department has completed updating policies, procedures, and timekeeping templates to ensure compliance with the requirements of the Ethics Act. Policies require that all employees sign and submit their timesheets on a periodic basis and that supervisors document their review and approval by signing and dating the timesheets. The updated template will be effective immediately upon approval by the Department's Policy Review Committee.

9. Comply with reporting requirements contained in sections of the Illinois Act on Aging, the Older Adult Services Act, the Welfare and Rehabilitation Services Planning Act, and the Respite Program Act or seek legislative remedy from these requirements. (Repeated-2006)

Finding: The Department failed to timely file reports required by various statues. Auditors noted:

- The Illinois Act on Aging requires the Department to cooperate with DPH, DHFS and DHS in the development and submission of an annual report on programs and services provided under the Minority Senior Citizen Program. This report was filed 10 months after the September 30, 2008 due date.

- The Older Adult Services Act designates the Department as the lead agency for carrying out provisions of the Act and submitting a report on January 1 each year highlighting the Department's progress made, impediments encountered, and recommendations developed as part of carrying out the responsibilities of the Act. The report due January 1, 2009, to the General Assembly was two months late.

- The Illinois Act on Aging requires the Department along with the Older Adult Services Committee to institute a study of the relationship between the Determination of Need scores, level of need, service cost maximums, and the development and utilization of service plans. Findings and recommendations of the study were to be presented to the Governor and the General Assembly no later than January 1, 2009.

  During testing auditors noted that the study was not completed until November of 2009 and was not presented to the Governor and General Assembly until January of 2010, twelve months late.

- The Illinois Welfare and Rehabilitation Services Planning Act requires the Department to prepare a comprehensive plan of the best possible use of available resources for the development of the State's human resources and provision of social services. The report to be submitted on or before April 3, 2009, was never submitted to the General Assembly.

Accepted or Implemented - continued

- The Respite Program Act requires the Department to submit a report on an annual basis to the Governor and General Assembly that details the progress of the respite care services under the Respite Program Act. No reports have been filed in relation to the Respite Program Act during FY09 or FY10.

Department officials stated that the above reports, except the Respite Program Act report, were not filed or were filed late with the Governor and General Assembly due to staffing constraints and other priorities of the Department. For the Respite Program Act report, Department officials stated that the report was not filed due to the Department not receiving any State appropriations in order to implement the program.

Updated Response: Accepted. The Department continues it efforts to complete all statutory reporting requirements in a timely manner and has obtained some legislative relief by repealing the Illinois Welfare and Rehabilitation Services Act.

10. Finalize disaster contingency plan and provide for an alternate recovery location. As new developments and/or modifications to information technology resources occur, update the plan to ensure it remains current and can be relied upon during a disaster situation. Store a copy of the Plan at a secured, offsite location and make it available to appropriate personnel. (Repeated-2004)

Finding: The Department did not formally adopt their disaster contingency plan for ensuring recovery of its critical computer systems, and the disaster contingency plan did not provide for an alternate recovery location.

During the examination, auditors noted that the Department's disaster contingency plan (Plan) had not been finalized and was awaiting further modifications and approval. Also, the plan did not provide for a legitimate alternate recovery location. The Plan in its current form does mention an alternate recovery location at another building that was occupied by the Department, but the Department's lease on the building was terminated in December 2009, and no other alternate recovery locations have been secured.

Updated Response: Accepted. The Department has established a Disaster Recovery Team, which is responsible for revising the Department's Disaster Recovery Plan. The Department's servers were moved to the Department of Central Management Services' data center located at 201 West Adams. The Disaster Recovery Team must evaluate the plan to determine which portions of the plan can be finalized and what revisions are required to reflect the current infrastructure and changes that are currently in process or planned to be implemented in the near future. The Department's current Disaster Recovery Plan is stored on location at One Natural Resources Way and on the Department's network server located at 201 West Adams. Five staff members are authorized to access and retrieve the plan in a disaster situation.

11. Implement the necessary internal controls to consistently report accounts receivable. Also, write-off accounts believed to be uncollectible. Further, meet with the Office of the State Comptroller regarding the concern about the cost effectiveness of using the Comptroller's Offset System to collect accounts receivable greater than 90 days past due and over $1,000. (Repeated – 2006)

Finding: The Department did not have adequate controls over accounts receivable reporting and collection. As a result, the Department inaccurately reported the estimated allowance for doubtful accounts and failed to follow procedures regarding the Comptroller's Offset System for past due accounts.

- Auditors noted three of eight accounts receivable reports prepared for quarters ended in FY09 and FY10 included mathematical errors for the amount reported as current receivables of $20,000, $5,000, and $64,000, respectively.

  Department personnel stated that the errors were a result of errors in the spreadsheet used to track the receivables.

- At June 30, 2010, the Department had $592,000 of gross accounts receivable made up of 1,615 individual accounts. Of that amount, $487,000 was past-due by 90 days or more.

  During testing, auditors noted that 134 of the accounts included in the detail of accounts receivable were over $1,000 and 90 days past due, and that none of these amounts had been placed with the Comptroller's Offset System. In addition, the Department had not taken measures to demonstrate to the Comptroller that collection would not be cost effective.

  According to Department personnel, the receivables have not been referred to the Comptroller's Offset System because it would not be a cost effective use of State resources. These receivables were created by overpayments made to low income senior citizen participants of the Circuit Breaker program.

Updated Response: Accepted. An accounts receivable is generated when the reported income for a circuit breaker grant recipient is less than the reported income on that individual's Illinois Tax Return. The grant amount is recalculated based on the reported income on the individual's Illinois Tax Return and any overpayment is offset from future grant payments at the rate of 50% of the next years grant. The Department is currently running a social security number match against records maintained by the Department of Public Health to identify accounts belonging to individuals who are deceased. These accounts will be submitted to the Office of the Attorney General for write-off approval. The Department also continues to discuss the feasibility of utilizing the offset system at the Office of the Comptroller.

Accepted or Implemented - concluded

12. Continue to work on developing a strategy for soliciting nominations so that information may be received timely to select award recipients and to present awards annually in all of the required categories.

Finding: The Department did not present awards in two of the five required categories to older direct care workers as required by law.

Department personnel stated that the Department was in the process of identifying a strategy for soliciting nominations for the two categories for which awards were not presented during the engagement period.

Updated Response: Accepted. The Department continues its efforts to develop criteria for the solicitation of nominations for all direct service worker award categories.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

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

During FY09 and FY10, the Department filed no affidavits for emergency purchases.

Headquarters Designations

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

For FY09 and FY10, the Department did not submit reports indicating the number of employees assigned to locations other than official headquarters. However, reports submitted for FY08 and FY11 indicated that no employees spent more than 50% of their working time at locations other than official headquarters.