

LEGISLATIVE AUDIT COMMISSION



Review of
Statewide Single Audit
Two Years Ended June 30, 2018

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**REVIEW: 4509
STATEWIDE SINGLE AUDIT
YEAR ENDED JUNE 30, 2018**

TOTAL FINDINGS/RECOMMENDATIONS: 80

TOTAL REPEATED FINDINGS: 59

TOTAL PRIOR AUDIT FINDINGS/RECOMMENDATIONS: 72

Beginning with FY 2000, the Office of the Auditor General (OAG) converted to a Statewide Single Audit approach to audit federal grant programs. In prior years, audits of federal grant programs were conducted on an agency by agency basis. This audit was conducted in accordance with auditing standards generally accepted in the USA, *Government Auditing standards*, and the federal Single Audit Act and federal regulations. The auditors (KPMG) indicated that the financial statements were fairly presented.

The audit includes all state agencies that are a part of the primary government and expend federal awards but does not include state universities nor finance authorities. The total expenditures reviewed total \$29 billion.

RECOMMENDATIONS GUIDE

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RECOMMENDATIONS

18-01. The auditors recommend the Office of the Governor and the IOC work together with the state agencies to establish a corrective action plan to address the quality of accounting information provided to and maintained by the IOC as it relates to year-end preparation.

Finding 2018-01- *Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards*

Failure to establish effective internal controls at all agencies regarding financial reporting for the preparation of the SEFA may prevent the State from completing an audit in accordance with timelines set forth by the Uniform Guidance and may result in the suspension of federal funding. (Finding Code 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-01, 11-01, 10-01, 09-01, 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, and 02-01)

Office of the Governor's Response:

The Office of the Governor concurs with the auditor's finding and recommendation. The Office of the Governor and the Office of the State Comptroller will continue to work together to address the core issues of the State's inability to produce timely and accurate GAAP basis financial information. The State is in the midst of a multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials, which is an aspect of the Governor's Executive Order that created the DoIT to transform Illinois' IT systems to be more responsive to state employees and taxpayers.

IOC's Response:

The Office accepts the recommendation. The Office agrees that the existing financial reporting systems need to be upgraded with a cost-effective statewide grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC.

18-02. The auditors recommend IDHS implement adequate general IT control procedures for the IES system and evaluate the known Integrated Eligibility System (IES) issues, implement monitoring procedures, etc.

Finding 2018-002 - *Failure to Establish Adequate Controls over the Integrated Eligibility System*

Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs. A similar finding was reported in the prior year audit as finding number 2017-002. (Finding Code 2018-002, 2017-002, 2016-002, 2015-002)

Views of IDHS Officials:

IDHS accepts the recommendation and continues to enhance and implement adequate general IT control procedures for the IES system. In addition, IDHS is evaluating the known IES issues and working to implement monitoring procedures to identify potential noncompliance relative to federal programs resulting from these items.

18-03. The auditors recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program.

Finding 2018-003 – *Failure to Properly Maintain and Control Case File Records*

IDHS 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. A similar finding was reported in the prior year audit as finding number 2017-003. (Finding Code 2018-003, 2017-003, 2016-003, 2015-003, 2014-003, 2013-003, 12-03, 11-03, 10-04, 09-04, 08-04, 07-11)

Views of IDHS Officials:

IDHS accepts the recommendation. To relieve some of the space limitations, offsite storage facilities were obtained and are being used and is now utilizing a document management system.

18-04. The auditors recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

Finding 2018-004 – *Missing Documentation in Beneficiary Eligibility Files*

IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs. In discussing these conditions with IDHS officials, they stated that the cause of the deficiencies noted can be attributed to misplaced, misfiled, or erroneously indexed documentation. A similar finding was reported in the prior year audit as finding number 2017-004. (Finding Code 2018-004, 2017-004, 2016-004, 2015-004, 2014-004, 2013-004, 12-04, 11-04, 10-06, 09-06, 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

Views of IDHS Officials:

IDHS accepts the recommendation and continues to ensure staff understand the importance of proper and accurate filing processes and continues to expand the use of electronic document management systems that now captures information that has been previously printed and maintained in paper case files.

18-05. The auditors recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program.

Finding 2018-005 – Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

IDHS did not perform “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

IDHS stated that the deficiencies noted can be attributed to an increasing number of overdue redeterminations resulting from 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 re-determined 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 Integrated Eligibility System and its functionality. A similar finding was reported in the prior year audit as finding number 2017-005. (Finding Code 2018-005, 2017-005, 2016-005, 2015-005, 2014-002, 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Views of IDHS Officials:

IDHS accepts the recommendation. As part of the IES Phase 2 implementation, added process steps were needed for case actions due to conversion. The re-determination process was enhanced with the implementation of the new updated processing system in IES phase 2, which went live October 24, 2017.

18-06. The auditors recommend IDHS take the necessary steps to retain evidence of compliance or internal control over compliance relative to IDHS’ federal programs resident in its information systems prior to decommissioning or eliminating applications and related databases.

Finding: 2018-006 – Inadequate Controls over Information Systems

IDHS stated that the concurrent system was decommissioned in 2017. The server for this system was also decommissioned after 60 days had expired and was physically removed from the DoIT Data Center. At that point, there was no platform that could provide access or readability for the decommissioned data. A similar finding was reported in the prior year audit as finding number 2017-007. (Finding Code 2018-006, 2017-007, 2016-007, 2015-018, 2014-013, 2013-014, 12-12)

Views of IDHS Officials:

IDHS accepts the recommendation. It is not cost effective for DoIT-IDHS to maintain a decommissioned application due to the overhead cost to maintain an obsolete system. However, steps will be taken in the future to maintain the application data on a platform or Database (DB) in a useable format, so the data itself is accessible as evidence for audit purposes. DoIT-IDHS has an Enterprise Audit and Accountability Policy in place and is currently working with the IDHS Program areas to enhance the Department's policy to meet this requirement. IDHS will enhance necessary procedures to ensure access to its information systems are adequately secured and are able to generate a list of program changes.

18-07. The auditors recommend IDHS review its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

Finding: 2018-007 – Failure to Provide Adequate Documentation for the SAPT MOE Requirement

IDHS was unable to provide adequate documentation to substantiate the MOE requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

IDHS stated the agency did not have access to the HFS Electronic Data Warehouse. A similar finding was reported in the prior year audit as finding number 2017-008. (Finding Code 2018-007, 2017-008, 2016-008, 2015-009, 2014-010)

Views of IDHS Officials:

IDHS accepts the recommendation and will review and enhance its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

18-08. The auditors recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations.

Finding 2018-008 – Inadequate Process for Monitoring Interagency Program Expenditures

IDHS stated that procedures were not followed to monitor other state agencies' expenditures which are claimed by IDHS. A similar finding was reported in the prior year audit as finding number 2017-009. (Finding Code 2018-008, 2017-009, 2016-009, 2015-007)

Views of IDHS Officials:

IDHS accepts the recommendation and has enhanced its monitoring procedures to ensure federal and state expenditures incurred by other state agencies meet applicable program regulations and is implementing procedures including review and updating of interagency agreements and completion and submission of program questionnaires and quarterly certifications by other state agencies reporting TANF expenditures to IDHS. In addition, the Office of Contract Administration (OCA) performs reviews of TANF expenditures of agencies on an on-going, annual basis.

18-09. The auditors recommend IDHS 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 organization. Such procedures should include documentation of IDHS' assessment of the impact of any control deficiencies and/or noncompliance identified in the service organization's control report on the SNAP Cluster program.

Finding 2018-009 – Inadequate Procedures to Ensure Controls Are Operating Effectively at the Service Organization of the SNAP Cluster Program.

IDHS stated that when the review of the SOC 1 report was completed, one deficiency was not documented appropriately on the review checklist. A similar finding was reported in the prior year audit as finding number 2017-010. (Finding Code 2018-009, 2017-010)

View of IDHS Officials:

IDHS accepts the recommendation and will review its procedures for monitoring its service organizations to ensure appropriate follow-up is performed relative to internal control deficiencies identified at its service organization. A review sheet will be utilized to identify and document the review and if necessary, any corrective action plan.

18-10. The auditors recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

Finding 2018-010 – Inaccurate Reporting of Federal Expenditures

IDHS stated that the differences in the amount of federal expenditures and amount passed through to subrecipients was due to inadequate procedures for analyzing expenditures and subrecipient amounts reported by the Bureau of Federal Reporting and failure to include revised amounts in the Schedule of Expenditures of Federal Awards (SEFA). A similar finding was reported in the prior year audit as finding number 2017-011. (Finding Code 2018-010, 2017-011, 2016-010, 2015-008, 2014-006, 2013-006)

Views of IDHS Officials:

IDHS accepts the recommendation and will enhance processes and procedures to address reporting deficiencies found in the Schedule of Expenditures of Federal Awards (SEFA).

18-11. The auditors recommend IDHS 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.

Finding 2018-011 – Inadequate Review of Single Audit Reports

Subrecipients who receive more than \$750,000 in federal awards are required to submit a single audit report to IDHS. A similar finding was reported in the prior year audit as finding number 2017-012. (Finding Code 2018-011, 2017-012, 2016-011, 2015-010, 2014-009, 2013-008, 12-06, 11-08)

Views of IDHS Officials:

IDHS accepts the recommendation and has made appropriate changes to its desk review processes to ensure subrecipient single audit reports are obtained and reviewed within established deadlines.

18-12. The auditors recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures along with IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

Finding 2018-012 – Failure to Follow Established Subrecipient Monitoring Procedures

IDHS stated that the deficiencies noted are due to untimely monitoring and competing priorities in the workflow process. A similar finding was reported in the prior year audit as

finding number 2017-013. (Finding Code 2018-012, 2017-013, 2016-012, 2015-011, 2014-008, 2013-009, 12-07, 11-09)

Views of IDHS Officials:

IDHS the recommendation and will review its process to ensure all programmatic on-site and expenditure reviews are performed and documented for subrecipients in accordance with established policies and procedures.

18-13. The auditors recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

Finding 2018-013 – Failure to Communicate Award Information to Subrecipients

In discussing these conditions with IDHS officials, they stated that program and division contracting staff did not properly review Exhibit-A of the Grant Agreements for proper accuracy prior to completing agreements. A similar finding was reported in the prior year audit as finding number 2017-014. (Finding Code 2018-013, 2017-014, 2016-013, 2015-012, 2014-007, 2013-007)

Views of IDHS Officials:

IDHS accepts the recommendation. The Office of Contract Administration (OCA), Bureau of Federal Reporting and the Division of Family and Community Services (FCS) will continue to meet and discuss any needed modifications to fiscal year 2019 Exhibit-A information to ensure accuracy of the information.

18-14. The auditors recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations.

Finding 2018-014 – Failure to Determine Eligibility in Accordance with VR (Vocational Rehab) Program Regulations

IDHS officials stated that human error caused eligibility and Individual Plan for Employment timelines to be missed. A similar finding was reported in the prior year audit as finding number 2017-015. (Finding Code 2018-014, 2017-015, 2016-015, 2015-014, 2014-014, 2013-010, 12-08, 11-11)

Views of IDHS Officials:

IDHS accepts the recommendation and will continue to strive to meet all appropriate regulations regarding timely determinations and reviews.

18-15. The auditors recommend IDHS implement procedures to ensure refunds of retirement contributions, which are allocated through the PACAP, are properly calculated and returned to federal programs in a timely manner.

Finding 2018-015 – *Untimely Return of Refunded Retirement Costs to Federal Programs*
IDHS did not return refunded retirement costs to its federal programs on a timely basis.

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS processed the retirement adjustment through the PACAP in the same quarter, quarter ending December 31, 2018, when the refund was received.

18-16. The auditors recommend IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid in accordance with program requirements.

Finding 2018-016 – *Improper Title XX Beneficiary Payment*

Views of IDHS Officials:

IDHS accepts the recommendation and will review its process to ensure the accuracy of all payments.

18-17. The auditors recommend IDHS review the process and procedures in place to prepare special reports required for the SNAP Cluster program and implement procedures necessary to ensure the reports are accurate.

Finding 2018-017 – *Inaccurate Special Report for the SNAP Cluster Program*

Views of IDHS Officials:

IDHS accepts the recommendation will review the process and procedures in place to prepare the special reports required for the SNAP Cluster program.

18-18. The auditors recommend IDHS review the process and procedures in place to prepare financial reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate.

Finding 2018-018 – *Inaccurate Financial Report for the TANF Cluster Program*

Views of IDHS Officials:

IDHS accepts the recommendation. Federal reporting staff will follow established and updated procedures to ensure appropriate and accurate data is used in completing and filing TANF financial reports in a timely manner.

18-19. The auditors recommend IDHS review its current process for reporting and applying program income and reviewing expenditures claimed as federal expenditures for the VR program and review the process and procedures in place to prepare financial reports.

Finding 2018-019 – Unallowable Costs Charged to the Vocational Rehabilitation Program

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS has adjusted its processes to accommodate the program income appropriately for federal reporting and cash draw purposes.

18-20. The auditors recommend DHFS implement adequate general IT control procedures for the IES system and evaluate the known IES system issues, implement monitoring procedures.

Finding 2018-020 – Failure to Establish Adequate Controls over the Integrated Eligibility System

A similar finding was reported in the prior year audit as finding number 2017-017. (Finding Code 2018-020, 2017-017, 2016-020, 2015-019)

Views of DHFS Officials:

HFS accepts the recommendation. Change management procedures have been documented, and DHFS will continue to identify potential noncompliance and implement additional procedures as necessary to ensure eligibility determinations are documented appropriately.

18-21. The auditors recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

Finding 2018-021 – Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries

DHFS does not have adequate procedures in place to verify with beneficiaries of the Medicaid Cluster program whether services billed by providers were actually received.

Views of DHFS Officials:

HFS believes it has a method for verifying with recipients whether services were billed. Managed Care Organizations, acting on HFS' behalf, send recipient verifications to recipients that have received services from various provider types. The Federal Medicaid Program Integrity auditors review compliance with this regulation every three years. The federal auditors did not find HFS out of compliance with this regulation in the most recent program integrity reviews.

18-22. The auditors recommend DHFS review its current process for documenting the exceptions cleared during provider enrollment and implement any additional procedures necessary to ensure provider enrollment is appropriately documented and supported.

Finding 2018-022 – *Inadequate Procedures to Determine Provider Eligibility*

DHFS does not have adequate procedures for enrolling Medicaid providers

Views of DHFS Officials:

HFS accepts the recommendation and will review its process for documenting actions taken when approving provider enrollment.

18-23. The auditors recommend DHFS review its current process for monitoring agencies operating Home and Community-Based Waivers to ensure monitoring is in accordance with the federal regulations.

Finding 2018-023 – *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

DHFS does not have an adequate process to monitor agencies operating the Home and Community-Based Services Waiver programs. DHFS stated they believed their methodology for monitoring of agencies operating home and community-based waivers met federal requirements.

A similar finding was reported in prior year audit as finding number 2017-019. (Finding Code 2018-023, 2017-019, 2016-023, 2015-023, 2014-021, 2013-019, 12-25)

Views of DHFS Officials:

HFS accepts the recommendation and has expanded sampling for monitoring purposes to include more than just those providers in close proximity.

18-24. The auditors recommend DHFS follow its established policies and procedures to ensure access to its information systems are adequately secured.

Finding 2018-024 – *Inadequate Controls over Information Systems*

A similar finding was reported in prior year audit as finding number 2017-020. (Finding Code 2018-024, 2017-020, 2016-025, 2015-026)

Views of DHFS Officials:

HFS accepts the recommendation. New security access review procedures are in place.

18-25. The auditors recommend DHFS implement procedures to ensure quarterly expenditure reconciliations are performed and completed in a timely manner and adjustments identified in the reconciliation process are made in a timely manner.

Finding 2018-025 – *Failure to Complete Cash Management Reconciliations Timely*

A similar finding was reported in prior year audit as finding number 2017-022. (Finding Code 2018-025, 2017-022)

Views of DHFS Officials:

HFS accepts the recommendation. Solutions are under study.

18-26. The auditors recommend DHFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Finding 2018-026 – *Inaccurate Reporting of Federal Expenditures*

A similar finding was reported in prior year audit as finding number 2017-023. (Finding Code 2018-026, 2017-023)

Views of DHFS Officials:

HFS accepts the recommendation. Solutions are under study.

18-27. The auditors recommend DHFS implement procedures to ensure refunds of retirement contributions, which are allocated through the PACAP, are properly calculated and returned to federal programs in a timely manner.

Finding 2018-027 – *Untimely Return of Refunded Retirement Costs to Federal Programs*

Views of DHFS Officials:

HFS accepts the recommendation and has calculated adjusted amounts and they will be included in the next quarters PACAP allocations.

18-28. The auditors recommend DCFS review its current process for reporting adjustments and implement procedures to ensure the adjustments claimed for the Foster Care and Adoption Assistance programs are properly determined and supported.

Finding 2018-028 – *Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report*

A similar finding was reported in prior year audit as finding number 2017-024. (Finding Code 2018-028, 2017-024, 2016-027)

Views of DCFS Officials:

HFS agrees with this recommendation. Although improvements have been made to the federal claiming system, additional system changes are required to enable HFS to separately report increasing and decreasing adjustments on a gross basis as required. This is a significant change to the current system and will be completed as resources become available. HFS will continue to review and improve its monitoring controls to ensure adjustments to its quarterly financial reports are properly supported by adequate file documentation.

18-29. The auditors recommend DCFS implement procedures to ensure the provider licensing files are complete, including documentation that all required background checks have been performed and documentation that verifies safety considerations with respect to foster family homes and the staff of child-care institutions has been properly addressed. Additionally, it is recommend DCFS evaluate its process for ensuring providers are properly licensed and meet program requirements prior to placing Foster Care beneficiaries in their care and claiming payments to these providers for federal reimbursement.

Finding 2018-029 – *Failure to Maintain Adequate Provider Licensing Files*

DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers. A similar finding was reported in prior year audit as finding number 2017-025. (Finding Code 2018-029, 2017-025, 2016-028)

Views of DCFS Officials:

DCFS agrees with the recommendation. Procedures exist to ensure that all required background checks have been performed and safety considerations with respect to foster family homes and staff of child-care providers are addressed before a child is placed in a home. DCFS is continuing to review its procedures to ensure proper documentation is maintained and available as required. Improvements have been made in this regard as the number of service providers without background information entered into the system was reduced from 31 to 23 from fiscal year 2017 to fiscal year 2018 (26%). DCFS expects to make further improvements to its reporting and monitoring capabilities in order to meet program requirements prior to placing foster care beneficiaries in the care of properly-licensed caregivers.

18-30. The auditors recommend DCFS implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

Finding 2018-030 – *Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs*

A similar finding was reported in prior year audit as finding number 2017-031. (Finding Code 2018-030, 2017-031)

Views of DCFS Officials:

DCFS agrees with this recommendation and has enhanced its insurance benefit calculation application to include automated balance checks to improve its accuracy of those benefit calculations. Quarterly reports will be reviewed by management staff with the knowledge of SERS retirement rates to ensure the proper rates are used for retirement benefit calculations.

18-31. The auditors recommend DCFS implement procedures to ensure payments made to adoptive parents are only on behalf of eligible children in the continued care of their adoptive parents. Additionally, DCFS should implement procedures to ensure information communicated by adoptive parents is tracked and case records and benefit payments are updated for any information impacting eligibility.

Finding 2018-031 – *Inadequate Procedures to Reasonably Ensure Children Are in the Continued Care of Their Adoptive Parent*

Views of DCFS Officials:

DCFS agrees that prior to January 29, 2018 it did not receive all signed recertification forms back from the adoptive assistance participants, as required by the department's

policy. DCFS will continue to tighten up its internal controls to reasonably ensure adoptive assistance children are in the continued care of their adoptive parent(s).

18-32. The auditors recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure supporting documentation for all eligibility requirements is maintained.

Finding 2018-032 – *Missing Documentation in Adoption Assistance Eligibility Files*

A similar finding was reported in prior year audit as finding number 2017-027. (Finding Code 2018-032, 2017-027, 2016-030)

Views of DCFS Officials:

DCFS agrees with this finding. DCFS is looking forward to a Comprehensive Child Welfare Information System (CCWIS) computer system that will be able to maintain documentation of adoption cases more efficiently than current paper files.

18-33. The auditors recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Finding 2018-033 – *Inaccurate Reporting of Federal Expenditures*

A similar finding was reported in prior year audit as finding number 2017-030. (Finding Code 2018-033, 2017-030)

Views of DCFS Officials:

DCFS agrees with this recommendation. The forms used by the State to capture DCFS' expenditures for the SEFA are not designed to represent cash basis expenditures as per the reporting requirements of the SEFA. DCFS will work with parties involved with compiling information for the SEFA to ensure expenditures are properly reported.

18-34. The auditors recommend DCFS implement procedures to ensure access to its information systems is adequately secured and terminated users are removed from applications and the mainframe in a timely manner.

Finding 2018-034 – *Inadequate Controls over Information Systems*

A similar finding was reported in the prior year audit as finding number 2017-032. (Finding Code 2018-034, 2017-032, 2016-035, 2015-032, 2014-029, 2013-029, 12-40)

Views of DCFS Officials:

DCFS is implementing automated access review report generation, notification and tracking to ensure that reviews are sent out and progress towards completion and timeliness is documented. If a review has not been completed after three months of the initial notification senior management will be notified.

18-35. The auditors recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA (Treasury statement) or amend the TSA to reflect DCFS's cash draw request practices.

Finding 2018-035 – *Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement*

A similar finding was reported in prior year audit as finding number 2017-033. (Finding Code 2018-035, 2017-033, 2016-033)

Views of DCFS Officials:

DCFS agrees with this recommendation and has shown improvement reducing the total variant days from 54 in fiscal year 2017 to 31 in fiscal year 2018. DCFS will continue to review its procedures to ensure compliance with the TSA.

18-36. The auditors recommend DCFS implement procedures to ensure cash reconciliations are performed and reviewed in a timely manner throughout the year.

Finding 2018-036 – *Inadequate Process for Reconciling Cash Balances to IOC's Records*

A similar finding was reported in the prior year audit as finding number 2017-034. (Finding Code 2018-036, 2017-034, 2016-034, 2015-030, 2014-027)

Views of DCFS Officials:

DCFS agrees with this recommendation and will continue to look at ways to improve its processes to ensure timeliness and accuracy of reconciliations.

18-37. The auditors recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with federal and state requirements.

Finding 2018-037 – *Failure to Ensure Timely Preparation of Initial Case Plans*

A similar finding was reported in the prior year audit as finding number 2017-035. (Finding Code 2018-037, 2017-035, 2016-036, 2015-031, 2014-028, 2013-028, 12-38, 11-46, 10-42, 09-39, 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

Views of DCFS Officials:

As noted in the Program Improvement Plan (PIP) for the Child and Family Services Review (CFSR), DCFS is working to implement streamlined Integrated Assessment and Service Plan processes in order to provide Service Plans that are timelier and more family-centered. In the meantime, DCFS will stress the importance of preparing and completing initial service plans in a timely manner to all caseworkers.

18-38. The auditors recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the time frames required by state law.

Finding 2018-038 – Failure to Investigate Provider Complaints within Required Timeframes

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required time frames. A similar finding was reported in prior year audit as finding number 2017-037. (Finding Code 2018-038, 2017-037, 2016-038, 2015-034, 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

Views of IDPH Officials:

IDPH concurs with the finding and recommendation and will hire additional staff within budgetary guidelines to investigate complaints of abuse and neglect to meet the required state and federal timeframes.

18-39. The auditors recommend IDPH implement policies and procedures to verify providers have met the state licensing requirements directly with licensing agencies upon enrollment and on a periodic basis.

Finding 2018-039 – Inadequate Procedures to Verify Provider Licenses

A similar finding was reported in prior year audit as finding number 2017-038. (Finding Code 2018-039, 2017-038, 2016-039, 2015-035, 2014-033, 2013-036, 12-48, 11-55)

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. IDPH proposed legislation and the End Stage Renal Disease Facility Act (210 ILCS 62/10) was repealed.

18-40. The auditors recommend IDPH establish procedures to verify all subrecipients expending federal awards have single audits as required. Additionally, reviews of single audit reports should be formally documented using

a single audit review checklist. Management decisions should be issued by IDPH within six months after the subrecipient audit report has been accepted by the Federal Audit Clearinghouse.

Finding 2018-040 – *Failure to Obtain and Review Subrecipient Single Audit Reports*

IDPH did not obtain or review single audit reports for subrecipients of the Social Services Block Grant (Title XX) and HIV Care Formula Grants (HIV Care) programs. A similar finding was reported in prior year audit as finding number 2017-039. (Finding Code 2018-040, 2017-039, 2016-037, 2015-033, 2014-031, 2013-032, 12-45, 11-51, 10-49, 09-44, 08-48, 07-45, 06-46, 05-56)

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. IDPH lacks qualified audit staff to review single audits. The State of Illinois' Grant Accountability and Transparency Unit (GATU) is centralizing and outsourcing the submission and review of audit reports. IDPH will follow the central audit report review process to ensure audits meet single audit requirements when necessary, reconcile grant expenditures, and will issue management decision where necessary.

18-41. The auditors recommend IDPH implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

Finding 2018-041 – *Untimely Return of Refunded Retirement Costs to Federal Programs*

Views of IDPH Officials:

IDPH concurs with the finding and recommendation and will work to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

18-42. The auditors recommend ISBE review its monitoring procedures relative to the Special Education program and implement additional procedures as necessary to ensure proper monitoring procedures are performed.

Finding 2018-042 – *Inadequate Monitoring of Special Education Subrecipients*

ISBE did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) program. A similar finding was reported in prior year audit as finding number 2017-041. (Finding Code 2018-042, 2017-041)

Views of ISBE Officials:

ISBE agrees with the finding. Special Education Services has engaged the support of one of ISBE's national technical assistance centers to assist with implementation of a new monitoring system. Planning began in March 2019, with the first phase of implementation scheduled to begin in fall 2019.

18-43. The auditors recommend ISBE establish procedures to ensure subrecipient single audit reports are obtained and reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with required timeframes.

Finding 2018-043 – Inadequate Review of Subrecipient Single Audit Reports

A similar finding was reported in prior year audit as finding number 2017-042. (Finding Code 2018-043, 2017-042, 2016-050, 2015-046)

Views of ISBE Officials:

ISBE agrees with the finding. The FY19 review process (of FY18 Single Audits) will be changed because of the Grant Accountability and Transparency Act (GATA). The state now contracts with a CPA firm to perform single audit reviews. The reviews are tracked and documented in the GATA ARRM System. The changes in the review process will allow current ISBE staff to focus on completing finding reviews and management decision memos in a timely manner. In addition, ISBE will continue to make efforts to add additional staff resources for audit reviews.

18-44. The auditors recommend ISBE personnel complete their plans to integrate certifications from LEAs and other educational institutions that child counts reported are unduplicated and accurate, in order to appropriately prepare the annual report of children served under the Special Education Cluster.

Finding 2018-044 – Failure to Obtain Certifications for IDEA Child Count

ISBE did not obtain certifications from local educational agencies (LEAs) or other educational institutions that their counts of children with disabilities receiving special education and related services were unduplicated and accurately reported for the Special Education Cluster program.

A similar finding was reported in prior year audit as finding number 2017-043. (Finding Code 2018-044, 2017-043)

Views of ISBE Officials:

ISBE agrees with the finding. The new district certification process has been developed and is in place for the 2018-2019 school year.

18-45. The auditors recommend ISBE review its monitoring procedures and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs and recommend ISBE review its procedures for communicating monitoring results and closing out on-site monitoring files and implement additional procedures to ensure timely completion of these activities.

Finding 2018-045 – Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients

A similar finding was reported in prior year audit as Finding No. 2017-044. (Finding Code 2018-045, 2017-044, 2016-049)

Views of ISBE Officials:

ISBE agrees with the finding. Web-based Illinois Nutrition System (WINS) has hired four monitors and is in the process of training them to conduct onsite reviews. In addition, WINS has hired a staff member to track reviews, review reports and correspondence to ensure the reviews are completed as required in review procedures. Nutrition continues to work with IT staff to modify the letter series in WINS to promote more timely notification letters to sponsors. Finally, ISBE is working with IT staff on modifying WINS to display reviews in a priority manner to ensure more timely responses for reviews.

18-46. The auditors recommend ISBE establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Finding 2018-046 – Inaccurate Reporting of Federal Expenditures

A similar finding was reported in prior year audit as finding number 2017-046. (Finding Code 2018-046, 2017-046, 2016-053, 2015-049, 2014-041)

Views of ISBE Officials:

ISBE agrees with the finding. The State of Illinois GAAP reporting process does not have a process in place to evaluate non-cash transactions that are required to be included in expenditure data submitted to the IOC as part of the GAAP reporting process. ISBE will continue to follow Generally Accepted Accounting Principles as well as procedures outlined by the State Comptroller when compiling data for the preparation of the Agency's financial statements. In addition, ISBE will continue to work closely with the auditors to

provide all information required to be reported in the Auditors' Federal Expenditures Questionnaires, as the information becomes available. Finally, a reconciliation will continue to be provided to the Auditors detailing the non-cash transactions which should be adjusted from the Form SCO-563 to prepare a cash basis SEFA.

18-47. The auditors recommend ISBE establish procedures to ensure waivers are obtained or federal funding is reduced for all LEAs (subrecipients) that do not meet MOE requirements.

Finding 2018-047 – *Inadequate Controls Over Maintenance of Effort Requirements for Subrecipients*

Views of ISBE Officials:

ISBE agrees with the finding. The work request has been approved to automate the maintenance of effort calculation. Procedures have been established with the Data and Strategy Analytics Division to timely notify the Title Grants Administration Division of subrecipients that did not meet MOE. The Title Grants Administration Division will work closely with the subrecipient to submit the required justification to USDOE. When a waiver is not approved by USDOE, the Title Grants Administration Division will notify and reduce the subrecipient's federal funds immediately.

18-48. The auditors recommend ICCB review and revise their risk assessment procedures to ensure the risk criteria used will appropriately identify high risk subrecipients. Additionally, the risk assessment should be used to determine the appropriate level of monitoring to be performed for each subrecipient.

Finding 2018-048 – *Inadequate Risk Assessment of Subrecipients of the CTE Program*

ICCB does not perform an adequate risk assessment of subrecipients of the Career and Technical Education (CTE) program as required by Uniform Guidance.

A similar finding was reported in prior year audit as finding number 2017-047. (Finding Code 2018-048, 2017-047, 2016-055)

Views of ICCB Officials:

The Board has developed and implemented a more robust risk assessment process than what was designed as part of the Grant Accountability and Transparency Act. The Board has reviewed and is revising its risk assessment procedures to ensure the risk criteria used appropriately identifies high risk subrecipients. Additionally, the risk assessment is used to determine the appropriate level of monitoring to be performed for each subrecipient. Beginning in FY19, with the monitoring of FY18 grants, this new process is in place and monitoring has begun.

18-49. The auditors recommend ICCB establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Finding 2018-049 – *Inaccurate Reporting of Federal Expenditures*

A similar finding was reported in prior year audit as finding number 2017-048. (Finding Code 2018-049, 2017-048, 2016-057, 2015-051)

Views of ICCB Officials:

The Board believes that this error is immaterial to the SEFA as a whole. The Board will work to ensure correct identification of sub-recipients and sub-recipient expenditures and reporting of prior year refunds for the purposes of accurate SEFA reporting.

18-50. The auditors recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

Finding 2018-050 – *Inadequate Process to Verify Unreported Loans*

A similar finding was reported in the prior year audit as finding number 2017-049. (Finding Code 2018-050, 2017-049, 2016-058, 2015-055, 2014-047, 2013-040, 12-53, 11-60, 10-62, 09-58, 08-64)

Views of ISAC Officials:

ISAC will continue to support the business processes that accept changes and updates to loan records.

18-51. The auditors recommend IDES implement procedures to ensure adequate supporting documentation is maintained for administrative cash draw requests, adjustments, and certain financial and special reporting applicable to its federal programs.

Finding 2018-051 – *Failure to Maintain Adequate Supporting Documentation for UI (Unemployment Insurance) Program Administrative Grants*

A similar finding was reported in the prior year audit as finding number 2017-052. (Finding Code 2018-051, 2017-052)

Views of IDES Officials:

IDES accepts this finding and will continue to pursue the development of accurate federal reports and the remediation of the asset data in the ERP system with DoIT.

18-52. The auditors recommend IDES develop and implement written procedures to improve UI program integrity and reduce overpayments that incorporate the required monetary penalty on fraud overpayments and prohibit providing relief to employers who fail to provide timely and adequate responses to information requests.

Finding 2018-052 – Failure to Implement UI Program Integrity and Overpayment Reduction Requirements

A similar finding was reported in the prior year audit as number 2017-053. (Finding Code 2018-052, 2017-053, 2016-061, 2015-056)

Views of IDES Officials:

IDES accepts this finding. The 15% penalty on fraud overpayments has been programmed and is currently in user acceptance testing. It will be implanted by September 2019 when all overpayment detection and auditing functions will be fully integrated in IBIS. IDES has identified a process to implement the prohibition on non-charging due to employer fault per federal guidelines and will be implemented no later than December 31, 2019.

18-53. The auditors recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

Finding 2018-053 – Failure to Issue Eligibility Determinations within Prescribed Timeframes

In discussing these conditions with IDES officials, there are a number of factors that have contributed to the Department's failure to issue timely determinations, the most of which are the volatility of staffing resources and a backlog of adjudications resulting from an inefficient process.

A similar finding was reported in the prior year audit as number 2017-054. (Finding Code 2018-053, 2017-054, 2016-062, 2015-058, 2014-049, 2013-048)

Views of IDES Officials:

IDES accepts this finding. Continuous improvement in timeliness has been such that IDES has met the timeliness goal for every quarter since the 4th quarter of 2017. Focus

on the timeliness performance goals is a priority with IDES and additional work continues on identified issues.

18-54. The auditors recommend IDES review its procedures for preparing financial reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

Finding 2018-054 – *Inadequate Process for Preparing UI Financial Reports*

A similar finding was reported in the prior year audit as number 2017-055. (Finding Code 2018-054, 2017-055, 2016-065, 2015-060, 2014-051)

Views of IDES Officials:

IDES accepts the finding and is in the process of integrating the functionality of legacy benefit payment control systems into the Illinois Benefit Information System (IBIS). This integration will provide for a single data source for reporting financial activity related to benefit overpayments. The project however remains behind schedule and will not be functional until late summer 2019. The goal is to produce the ETA 227 report for the 1st quarter of 2020 which is scheduled to be submitted to ETA May 1, 2020.

18-55. The auditors recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Finding 2018-055 – *Inaccurate Reporting of Federal Expenditures*

A similar finding was reported in the prior year audit as number 2017-057. (Finding Code 2018-055, 2017-057, 2016-069, 2015-064, 2014-050, 2013-044)

Views of IDES Officials:

IDES agrees with the finding and will continue to work with the Comptroller to arrive at a resolution. Upon an agreement and resolution, IDES will establish new procedures to accurately report the expenditures meeting the requirements and needs of both the IOC and the SEFA.

18-56. The auditors recommend IDES implement procedures to ensure access to its IT systems is adequately secured and user access reviews are performed. In addition, we recommend IDES implement procedures to verify relevant general IT controls are properly designed, implemented, and operating effectively for information systems administered by other state agencies which are used to meet compliance objectives of IDES' federal programs.

Finding 2018-056 – Inadequate Controls over Information Systems

A similar finding was reported in the prior year audit as finding number 2017-056. (Finding Code 2018-056, 2017-056, 2016-068, 2015-063, 2014-052, 2013-049, 12-59, 11-66)

Views of IDES Officials:

IDES accepts the finding and will further implement procedures to ensure the timely review of semi-annual access reviews by reporting potential violations to the IDES Chief of Staff for corrective action (i.e. review and submission of the report). Also, IDES will use the notices of separation submitted via email from the Human Resource Manager as the basis for RACF termination and GenTax termination documents effective the business day following termination. With regard to the segregation of duties for GenTax developers, a restriction was implemented in the GenTax migration tool that enforces a 2nd party review and approval of all code changes prior to being implemented in production. This change was implemented on February 20, 2019.

18-57. The auditors recommend IDES improve efforts to complete and document the resolution of each claim on the exception and monitoring report (including supervisory review) in a timely manner, and retain the reports as considered necessary to evidence performance of control procedures and facilitate completion of the audit.

Finding 2018-057– Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports

The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports and the reports did not always indicate that a supervisory review had been performed.

Views of IDES Officials:

IDES accepts this finding. IDES has already revisited the procedures with regional management teams and has made them aware of the finding and is planning to review the number of staff designated to work the report(s) statewide and will consider reducing the number of designees and backup staff so that the activity is consolidated and more readily controlled. Also, the regional management teams will begin randomly sampling the exception reports to check for compliance. The proof of such sampling reviews will then be submitted to Central Office management to further ensure compliance.

18-58. The auditors recommend IDES review its procedures for preparing the ETA 581 financial reports required for the UI program and any additional procedures considered necessary to ensure the reports are complete and accurate prior to submission to the USDOL

Finding 2018-058 – Inadequate Process for Preparing ETA 581 Financial Reports

Views of IDES Officials:

IDES accepts this finding. Additional data checking will be done during report creation to catch legacy problems as they come up.

18-59. The auditors recommend IDES implement procedures to ensure the interest liability calculation is performed in accordance with U.S. Treasury Regulations.

Finding 2018-059 – Improper Interest Rate used in the CMIA Interest Calculation

Views of IDES Officials:

IDES agrees with this finding and will ensure an adequate management review is performed prior to submission of the CMIA.

18-60. The auditors recommend IDES review its current process for calculating the dependent child allowance supplemental benefit and consider changes necessary to ensure the supplemental benefit is calculated in accordance with program requirements.

Finding 2018-060 – Inaccurate Calculation of Dependent Child Allowance Supplemental Benefits

Views of IDES Officials:

IDES agrees with the finding and was able to reprogram IBIS to correctly adjust dependent allowance where appropriate based upon the legal parameters for the benefit year of the claim at the time of the annual recalculation each January. IDES implemented these changes prior to January 2019.

18-61. The auditors recommend IDES review its procedures for submitting BAM case files to ensure they are accurately reported prior to submission to the USDOL.

Finding 2018-061 – Inaccurate Reporting of UI BAM Case File Data to USDOL

In discussing these conditions with IDES officials, they stated that one case was inappropriately closed by a new employee in error.

Views of IDES Officials:

IDES agrees with the finding. Continued training has rectified the mistake.

18-62. The auditors recommend IDES implement procedures to ensure UTF benefit payment reconciliations are prepared and reviewed timely and management review controls should be formally documented.

Finding 2018-062 – Failure to Prepare and Review Unemployment Trust Fund Reconciliations Timely

Views of IDES Officials:

IDES accepts this finding and is in the process of hiring additional personnel. In addition, management will be more diligent on approving reconciliations once completed.

18-63. The auditors recommend IDES implement procedures to ensure retirement contributions are properly calculated and charged to federal programs in a timely manner. Additionally, IDES should evaluate its internal controls and identify the additional procedures necessary to ensure retirement contribution rates are accurately entered into its information systems.

Finding 2018-063 – Inadequate Controls over Retirement Costs for the Unemployment Insurance Program

Views of IDES Officials:

IDES agrees with the finding. In response to this issue, IDES management has already implemented several remedial efforts.

As a strictly technical matter, IDES does not have outright power to prevent this problem from recurring, since DoIT will not grant IDES the necessary system access to enter the retirement rate ourselves. Nonetheless, beginning for the end of state FY18, IDES added a year-end closing procedure to log a remedy ticket with DoIT reminding them to populate the retirement rate in SAP. This was effective for the beginning of state FY19.

IDES has strengthened its detection controls over errors in retirement expense by providing reconciliation training to the accounting staff and by accelerating its managerial review of reconciliations to provide timely approval of reconciling items.

18-64. The auditors recommend DCEO review its procedures for preparing financial reports required for the Workforce Innovation and Opportunity Act (WIOA) program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

Finding 2018-064 – Inadequate Process for Preparing WIOA Financial Reports

Views of DCEO Officials:

DCEO accepts the recommendation and will develop policies and procedures for the preparation and review of financial reports required for the WIOA program to adequately prevent future reporting inaccuracies.

18-65. The auditors recommend DCEO implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

Finding 2018-065 – Untimely Return of Refunded Retirement Costs to WIOA Cluster

Views of DCEO Officials:

The Department accepts the recommendation and will address.

18-66. The auditors recommend IDOT review its current process and consider any changes necessary to ensure weekly payroll certifications are received and approved in accordance with federal requirements and IDOT's procedures.

Finding 2018-066 – Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program

A similar finding was reported in prior year audit as finding number 2017-059. (Finding Code 2018-066, 2017-059, 2016-071, 2015-069, 2014-056, 2013-054, 12-66, 11-77)

Views of IDOT Officials:

IDOT agrees with the finding. Further consultation with district construction and compliance staff is necessary to attain compliance with procedures. This happened via each district's spring Project Implementation meeting and through field visits by the Project Review Engineers in the Bureau of Construction. The last meeting was held on March 21, 2019. Also, the development of the web-based contract administration system, commonly referred to as Construction and Materials Management System (CMMS), is ongoing. It will be developed and released in 4 Epics/Phases. Epic 1 is essentially the replacement of Illinois Construction Records System (ICORS) and is now being piloted in all the districts and we hope to have full implementation of Epic 1 over the next few months. The remaining Epics will be rolled out over the next 18-24 months at which point IDOT hope to have full implementation of the system which will serve as the replacement for ICORS, MISTIC, and Bureau of Contract Management systems. While IDOT have received approval from the FHWA to receive scanned copies of certified payrolls, the collection of payrolls was not included in the development of CMMS and the development of a collection tool will not happen until CMMS is fully implemented.

18-67. The auditors recommend IDOT review the process and procedures in place to prepare financial status reports required for the Airport Improvement Program and implement the additional procedures necessary to ensure the reports are complete, accurate, and agree or reconcile to its financial records.

Finding 2018-067 – *Inaccurate Airport Improvement Financial Status Reports*

A similar finding was reported in the prior year audit as number 2017-060. (Finding Code 2018-067, 2017-060)

Views of IDOT Officials:

IDOT agrees with the finding. IDOT has procedures to utilize and retain support for the full spreadsheet with formulas which correctly reflect each grant and the total state/local recipient share eligible for the expended amount of federal costs. The recipient share is what will be recorded on financial records relating to the SF-425 submitted yearly to the USDOT/FAA. IDOT will ensure that supporting documentation, which ties directly to the SF-425, is retained.

18-68. The auditors recommend IDOT follow its established procedures to verify all subrecipients expending federal awards have single audits as required. Additionally, reviews of single audit reports should be formally documented using a single audit review checklist which includes procedures to determine whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the SEFA reconcile to IDOT records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Management decisions should be issued by IDOT within six months after the subrecipient audit report has been accepted by the Federal Audit Clearinghouse.

Finding 2018-068 – *Failure to Obtain and Review Subrecipient Single Audit Reports*

In discussing these conditions with IDOT officials, they stated that due to lack of staff and frequent turnover amongst the current staff, obtaining and reviewing single audit reports were not performed as required.

A similar finding was reported in the prior year audit as finding number 2017-061. (Finding Code 2018-068, 2017-061)

Views of IDOT Officials:

IDOT agrees with the finding. A new process has been implemented state-wide to ensure compliance with 2 CFR 200. The new process is in effect for all year ends from December 31, 2017 and on. An outside consultant has been hired by the State of Illinois, through the Governor's Office of Management & Budget (GOMB) to review single audit reports to ensure compliance with single audit requirements and to ensure Type A programs are being audited at least every three years. With this new process, IDOT's Bureau of

Investigations and Compliance (BIC) is responsible for reconciling the federal funds reported in the SEFA to IDOT's records and issuing the Management Decision Letter within 180 days of the submission of a complete audit report package. BIC requires the assistance from the applicable program areas to perform the above-mentioned duties in the required time-frame. BIC is attempting to acquire adequate staffing to fulfill its responsibilities in a timely manner. It is estimated that the adequate staffing will be obtained within 12-18 months.

18-69. The auditors recommend IDOT establish procedures to accurately report federal expenditures (including subrecipient expenditures) provided for audit and to ensure they are consistent with those used to prepare the SEFA to the IOC.

Finding 2018-069 – *Inaccurate Reporting of Federal Expenditures*

In discussing these conditions with IDOT officials, they stated that the error identified resulted from a misunderstanding by Department staff on how to complete the expenditure pattern provided during the audit.

A similar finding was reported in the prior year audit as finding number 2017-062. (Finding Code 2018-069, 2017-062, 2016-072)

Views of IDOT Officials:

IDOT agrees with the finding. IDOT has procedures to accurately report federal expenditures, including subrecipient expenditures, used to prepare the SEFA for submission to the IOC. All audit request should be directed to the Financial Services Section Chief who will request and gather information from the appropriate parties and submit to external auditors after review by the Fiscal Operations Unit or another designated individual. The centralized gathering and distribution of requested data will allow for better review.

18-70. The auditors recommend IDOT implement procedures to ensure access to its information systems is adequately secured and changes identified in system access reviews are made on a timely basis. It is also recommend IDOT implement procedures to ensure all information systems can generate a list of program changes from the information systems and applications or implement other procedures to establish the completeness and accuracy of the listing of program changes.

Finding 2018-070 – *Inadequate Controls over Information Systems*

IDOT does not have adequate user access and program change management controls over the IDOT Integrated Transportation Project Management system.

The IT applications that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

A similar finding was reported in the prior year audit as finding number 2017-063. (Finding Code 2018- 070, 2017-063, 2016-073, 2015-071, 2014-063, 2013-067, 2012-82)

Views of IDOT Officials:

IDOT agrees with the finding.

RACF ID and Password

As of 3/2019, the two IDOT employees are now using their own unique RACF IDs. There are no RACF IDs now being shared.

Terminations

IDOT has begun work on a new operating procedure for handling system access permissions upon employee separation. The new operating procedure will involve automation by flagging specific employee (separation) transactions occurring within the agency's human resources system (HRI) and logging those transactions in a tracking database. At the time the (separation) transaction is recorded in HRI, all the impacted employees' permissions will be captured (snapshot) and included in the tracking database. A companion set of agency policies will be prepared outlining various employee and business area roles and responsibilities on reviewing, resolving and documenting appropriate changes to system access permissions based on the entries in the tracking database. The estimated completion date was 12/31/2019.

Change Management

All the systems identified by the auditors are legacy systems that run on the mainframe or on local Access databases (ICORS). IDOT believes all of these information technology systems need to be replaced to further strengthen controls. IDOT has been diligently working to upgrade its systems critical to its processes and has therefore identified these systems listed in this finding for replacement. All of these projects are currently under development or a request to replace the system is being sought for an outside vendor with the exception of the Fiscal Operations and Administration (FOA) system, which will be replaced by the implementation of the new Statewide ERP System.

It is also important to note that the specific IDOT systems referenced are hosted on the State of Illinois mainframe platform. Mainframe environments, unlike distributed systems architectures, do not natively provide system logging or reporting capabilities that would produce the type of change tracking information requested.

As an interim solution, IDOT has a SharePoint site that is used to track all requests for changes, as well as track the changes that were made. The following legacy systems that

run on the mainframe or on local Access databases (ICORS) are in the process of being replaced with the systems that are noted.

- The Electronic Contract Management System (ECM)- IDOT is preparing to competitively solicit and procure a Vendor, Contract, and Letting Management system.
- The Electronic Letting Management System (ELM)- IDOT is preparing to competitively solicit and procure a Vendor, Contract, and Letting Management system.
- The Illinois Construction Records Management System (ICORS)- Construction Materials Management System (CMMS) in development to replace this system.
- The Bureau of Contract Management System (BCM)- Construction Materials Management System (CMMS) in development to replace this system.
- The Federal Payment Control System (FPC)- Federal Project Management System in development to replace this system.
- Job Costs Accounting (AJC) - Federal Project Management System in development to replace this system.
- Fiscal Operations and Administration (FOA) – will be replaced by the implementation of the new Statewide ERP System

Estimated Completion Date: The replacement of every system in this list is a multi-year effort. An optimistic estimate of when all systems will be replaced is June 30, 2022.

18-71. The auditors recommend IEPA review the process and procedures in place to prepare financial reports required for the CWSRF and DWSRF programs and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records prior to submission to the USEPA.

Finding 2018-071 – *Inaccurate SF-425 Federal Financial Reports*

In discussing these conditions with IEPA officials, they stated the errors identified were the result of human error during the manual compilation process.

A similar finding was reported in prior year audit as finding number 2017-066. (Finding Code 2018-071, 2017-066)

Views of IEPA Officials:

Agree. IEPA has a process in place to ensure amounts are for the correct amount using supporting documentation and require an additional reviewer.

18-72. The auditors recommend IEPA establish procedures to ensure subrecipient single audit reports are reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with required timeframes.

Finding 2018-072 – Untimely Review of Subrecipient Single Audit Reports

IEPA did not obtain and adequately review single audit reports received from its subrecipients for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) and Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) programs on a timely basis.

A similar finding was reported in prior year audit as finding number 2017-064. (Finding Code 2018-072, 2017-064)

Views of IEPA Officials:

Agree. IEPA has procedures in place to properly notify, track and monitor the recipients of federal funds and review subrecipient single audit reports in a timely manner.

18-73. The auditors recommend Aging implement control procedures to ensure cash draws are performed in accordance with U.S. Treasury regulations and cash advances are reported and returned to USDHHS in a timely manner and also recommend Aging implement procedures to ensure financial reports submitted are complete and accurate.

Finding 2018-073 – Failure to Correct Improperly Drawn Cash and Reported Cash Advances for the Aging Cluster

A similar finding was reported in the prior year audit as finding number 2017-067. (Finding Code 2018-073, 2017-067)

Views of IDOA Officials:

Aging has implemented control procedures to ensure cash draws are performed in accordance with US Treasury regulations and cash advances are reconciled and handled in a timely manner. IDOA has implemented procedures to ensure that financial reports submitted are complete and accurate. IDOA will work with USDHHS to revise prior reports and return any monies necessary.

18-74. The auditors recommend Aging implement procedures to ensure grant funding is obligated within required timeframes.

Finding 2018-074 – Failure to Obligate Funds in Accordance with Period of Performance Requirements

In discussing these conditions with Aging officials, they stated the 2017 Illinois budget impasse delayed the processing of these grants. A similar finding was reported in the prior year audit as finding number 2017-068. (Finding Code 2018-074, 2017-068)

Views of IDOA Officials:

Aging partially disagrees with this finding, all funds are obligated in the original year in which Aging is awarded the funds for the Administration for Community Living (ACL). Aging now has multi-year grant agreements to handle this situation. Additionally, ACL has released new guidance for State Units on Aging regarding the obligation of funds. ACL now provides State Units on Aging two fiscal years to obligate Older Americans Act funds.

Auditors' Comment:

The use of multi-year grant agreements and the issuance of new guidance referenced in Aging's response above are not relevant to the condition discussed in this finding as they were not in effect during federal FY17. As noted above, Aging was required to obligate funds related to its federal FY17 award during the federal fiscal year in which they were awarded to Aging.

18-75. The auditors recommend Aging review the process and procedures in place to prepare required financial reports and the certification of the maintenance of effort required for the Aging Cluster program and implement procedures necessary to ensure that actual expenditures incurred during the period are reported and certified.

Finding 2018-075 – Inaccurate Certification of Maintenance of Effort (MOE) Expenditures

IDOA did not accurately certify its maintenance of effort (MOE) expenditures under the Aging Cluster program to USDHHS and meet MOE requirements. In discussing these conditions with Aging officials, they disagree with this finding.

A similar finding was reported in the prior year audit as finding number 2017-069. (Finding Code 2018-075, 2017-069, 2016-043)

Views of IDOA Officials:

Aging requested clarification from the Administration for Community Living (ACL) regarding MOE and what the basis for calculations can or should be. Aging received a response from the Director of the Office of Grants Management that clarified the process and further explained ACL's expectations, it was shared with the auditors on 4/9/19. The letter from ACL establishes that states may include expenditures incurred under the approved cost allocation plan for the State Agency. At a minimum the state must certify that it has met the state required matching share for state Administration (25%) and the state share of services (5%).

Because Aging has for many years certified MOE in an amount higher than required 25% for administration and 5% for services Illinois has been and still is following federal regulations. The auditors can determine the proper minimum MOE requirement by

calculating the percentages against administrative spending and grant spending for the grant years. MOE is not specifically stated on the 425 forms as the finding suggests, however match is required, as long as Aging is showing match that is equal to or in excess of the minimum requirement MOE has been met.

Aging has been and will continue to strengthen procedures to mitigate risk for MOE requirements. Though Aging disagrees with the finding, Aging does agree with the auditors that implementing clear and concise procedures is always the correct path forward. Additional steps have already been added to MOE procedure per the clarification provided by ACL.

Auditors' Comment:

As discussed in the finding above, Aging is required to report the amount spent for both services and administration under the Title II program to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. The reporting section identifies the Standard Form (SF) 425 report as applicable.

As noted in the condition above, the amounts used by IDOA to determine compliance with the MOE requirement do not appear to be accurate and the SF-425 reports (including state funded expenditures) have not been corrected for known errors as reported in the referenced prior year findings. As a result, auditors are not able to determine the correct MOE amount which have been reported as noncompliance in the report.

18-76. The auditors recommend Aging: (1) implement the risk assessment procedures required by the Uniform Guidance; (2) review its current policies and procedures for monitoring Aging Cluster program subrecipients and implement changes necessary to implement any changes required by the Uniform Guidance; and (3) implement procedures to ensure on-site reviews are appropriately performed and completed as planned.

Finding 2018-076 – Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of Aging Cluster Program

A similar finding was reported in the prior year audit as finding number 2017-070. (Finding Code 2018-076, 2017-070, 2016-044)

Views of IDOA Officials:

Aging partially disagrees with this finding as the agency felt that it had updated policies and procedures for 2018 but completed those reviews during the federal fiscal year instead of the state fiscal year as the auditors expected. Aging's policies outline that the review cycle will be based on the federal fiscal year since Older Americans Act funds the Area Plans are based on the federal fiscal year. All area agencies on aging received programmatic on-site reviews during FY18. These on-site reviews were completed by September 30, 2018. IDOA has implemented the risk assessment procedures required

by the Uniform Guidance and is in the process of updating the current policies and procedures for monitoring Aging Cluster program subrecipients and making the necessary changes required by the Uniform Guidance as well as implementing procedures to ensure on-site reviews are appropriately performed and completed as planned.

Auditors' Comment:

In accordance with the Uniform Guidance, the audit of compliance is performed based upon the state's fiscal year. Accordingly, the auditors have not tested Aging's compliance activities subsequent to June 30, 2018 and Aging did not provide evidence that the corrective actions noted in their response were taken during the audit period (year ended June 30, 2018).

18-77. The auditors recommend Aging establish procedures to ensure subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner. Additionally, Aging should ensure procedures will permit issuance of management decisions within required timeframes.

Finding 2018-077 – *Inadequate Review of Subrecipient Single Audit Reports (for the Aging Cluster program on a timely basis.)*

A similar finding was reported in the prior year audit as finding number 2017-071. (Finding Code 2018-077, 2017-071)

Views of IDOA Officials:

Aging concurs with this finding and has established procedures to ensure subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner. Aging will ensure the procedures permit for the issuance of the management decision letter within the required timeframes.

18-78. The auditors recommend Aging establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the Schedule of Expenditures of Federal Awards (SEFA).

Finding 2018-078 – *Inaccurate Reporting of Federal Expenditures (including amounts passed through to subrecipients, under the Aging Cluster.)*

A similar finding was reported in the prior year audit as finding number 2017-072. (Finding Code 2018-078, 2017-072, 2016-047)

Views of IDOA Officials:

Due to the limited options available for adjustments during the GAAP process, Aging is unclear how to make changes to the SEFA to satisfy this audit finding. Aging worked with a CPA firm for assistance in GAAP preparation as well as the SEFA preparation. Though Aging made every effort to reconcile and walk the numbers for the auditors, the end result was still an audit finding. Aging partially disagrees with this finding due to all the efforts taken to improve upon this process.

Auditors' Comment:

As discussed in the finding above, a recipient of federal awards is required to prepare a SEFA in accordance with the requirements of the Uniform Guidance and establish internal control over compliance. IDOA did not accurately report amounts on the forms used by the State to prepare the SEFA. As a result, the SEFA was misstated for the errors noted in the finding above which were corrected by the State after being identified in the audit process.

18-79. The auditors recommend Aging implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

Finding 2018-079 – Failure to Draw Funds Only for Immediate Cash Needs (and their disbursement for program purposes.)

In discussing these conditions with Aging officials, they stated 3 business days is not always achievable given the state's process for paying its expenditures requires coordination with other state agencies.

Views of IDOA Officials:

Though Aging has tightened their timelines to be as precise as possible they recognize that sometimes even the perfect plan cannot always be perfect. Aging will work with the Comptroller and the State Treasurer to ensure cash drawn is disbursed in accordance with program regulations.

18-80. The auditors recommend IEMA accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC. Additionally, IEMA is recommended to verify the information provided for audit purposes is complete, accurate, and consistent with the information reported to the IOC.

Finding 2018-080 – Inaccurate Reporting of Federal Expenditures (including amounts passed through to subrecipients, under the Homeland Security Grant Program (Homeland Security) program.)

Views of IEMA Officials:

IEMA accepts the recommendation. IEMA will review its process to ensure federal grant expenditure reviews are performed and documented for amounts passed through to subrecipients in accordance with established policies and procedures and will also review procedures to determine the accuracy and completeness of the federal expenditures and subrecipient amounts reported on Forms SCO-563/67/68 that are used to prepare the SEFA and making sure the amounts provided to IOC agree to what is provided to the auditors.