STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2017

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Comprehensive Annual Financial Report of the State of Illinois for the year ended June 30, 2017 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2017 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Auditors' Reports

The auditors' report on compliance and on internal control applicable to each major program contains qualifications for the following programs:

Adverse:
Aging Cluster

Qualified (Scope Limitation):
Unemployment Insurance

Qualified (Noncompliance):
Supplemental Nutrition Assistance Program Cluster
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
Temporary Assistance for Needy Families Cluster
Foster Care – Title IV-E
Adoption Assistance
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse

Summary of Audit Findings

Number of audit findings:	This audit	Prior audit
This audit	72	73
Repeated audit findings	53	49
Prior findings implemented or not repeated	20	26

KPMG LLP
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Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Schedule of Expenditures of Federal Awards

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the cash basis of accounting described in Note 1(c); this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois for the year ended June 30, 2017 in accordance with the cash basis of accounting described in Note 1(c).

Basis of Accounting

We draw attention to Note 1(c) of the Schedule, which describes the basis of accounting. The Schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

As described in note 1(a) to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with the Uniform Guidance.

Also as described in note 1(a) to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/KPMG LLP

Chicago, Illinois
April 30, 2018

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Department of Agriculture					
Plant and Animal Disease, Pest Control, and Animal Care	10.025			$ 233	$ 166
Wildlife Services	10.028			4	-
Voluntary Public Access and Habitat Incentive Program	10.093			479	168
Biofuel Infrastructure Partnership	10.117			5,648	5,648
Market News	10.153			17	-
Market Protection and Promotion	10.163			85	-
Specialty Crop Block Grant Program - Farm Bill	10.170			263	261
Organic Certification Cost Share Programs	10.171			73	47
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			3,762	-
Cooperative Extension Service	10.500			44	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	10.551	*	$ 2,964,122		-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	*	112,409		16,386
Total SNAP Cluster				3,076,531	
Child Nutrition Cluster:					
School Breakfast Program	10.553	*	141,338		141,089
National School Lunch Program	10.555	*	536,748		536,194
Special Milk Program for Children	10.556	*	2,002		1,982
Summer Food Service Program for Children	10.559	*	9,329		9,020
Total Child Nutrition Cluster				689,417	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*		184,284	175,873
Child and Adult Care Food Program	10.558	*		145,625	145,359
State Administrative Expenses for Child Nutrition	10.560			11,001	-
Food Distribution Cluster:					
Commodity Supplemental Food Program	10.565		5,160		5,160
Emergency Food Assistance Program (Administrative Costs)	10.568		2,405		2,246
Emergency Food Assistance Program (Food Commodities)	10.569		21,830		21,830
Total Food Distribution Cluster				29,395	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			(54)	-
Senior Farmers Market Nutrition Program	10.576			605	-
Child Nutrition Discretionary Grants Limited Availability	10.579			271	271
Fresh Fruit and Vegetable Program	10.582			4,166	4,166
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596			3,974	3,032
Cooperative Forestry Assistance	10.664			171	-
Urban and Community Forestry Program	10.675			106	-
Forest Legacy Program	10.676			13	-
Forest Stewardship Program	10.678			288	-
Forest Health Protection	10.680			96	-
Soil and Water Conservation	10.902			64	40
Regional Conservation Partnership Program	10.932			14	14
U.S. Department of Agriculture Total				**4,156,575**	**1,068,952**
U.S. Department of Commerce					
Band 14 Incumbent Spectrum Relocation	11.014			1,016	756
Interjurisdictional Fisheries Act of 1986	11.407			22	22
Coastal Zone Management Administration Awards	11.419			1,883	838
State and Local Implementation Grant Program	11.549			432	328
U.S. Department of Commerce Total				**3,353**	**1,944**
U.S. Department of Defense					
Procurement Technical Assistance For Business Firms	12.002			415	230
Payments to States in Lieu of Real Estate Taxes	12.112			739	739
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			618	-
Military Construction, National Guard	12.400			29,567	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401			23,248	-
National Guard ChalleNGe Program	12.404			3,876	-
U.S. Department of Defense Total				**58,463**	**969**
U.S. Department of Housing and Urban Development					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	*	21,325		20,287
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Loans	14.228	*	50,385		-
Total Community Development Block Grants				71,710	
Emergency Solutions Grant Program	14.231			4,392	4,264
Housing Opportunities for Persons with AIDS	14.241			1,108	1,108
Continuum of Care Program	14.267			24	-
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:					
Hurricane Sandy Community Development Block Grant Disaster Recover Grants (CDBG-DR)	14.269		3,362		3,329
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				3,362	-
Fair Housing Assistance Program State and Local	14.401			730	-
U.S. Department of Housing and Urban Development Total				**81,326**	**28,988**

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)		
			Expenditures	Passed-through to subrecipients
U.S. Department of Interior				
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		$ 3,180	$ -
Abandoned Mine Land Reclamation (AMLR)	15.252		9,319	-
Fish and Wildlife Cluster:				
Sport Fish Restoration	15.605	$ 3,149		330
Wildlife Restoration and Basic Hunter Education	15.611	6,166		546
Total Fish and Wildlife Cluster			9,315	
Fish and Wildlife Management Assistance	15.608		239	239
Enhanced Hunter Education and Safety	15.626		139	-
State Wildlife Grants	15.634		373	125
Great Lakes Restoration	15.662		6,266	3,358
Historic Preservation Fund Grants-In-Aid	15.904		1,637	99
Outdoor Recreation Acquisition, Development and Planning	15.916		1,660	1,660
U.S. Department of Interior Total			**32,128**	**6,357**
U.S. Department of Justice				
Sexual Assault Services Formula Program	16.017		493	493
Joint Law Enforcement Operations	16.111		11	-
Juvenile Accountability Block Grants	16.523		372	355
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529		276	224
Juvenile Justice and Delinquency Prevention	16.540		1,451	1,064
Missing Children's Assistance	16.543		375	-
State Justice Statistics Program for Statistical Analysis Centers	16.550		104	-
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560		91	-
Crime Victim Assistance	16.575		21,891	18,746
Crime Victim Compensation	16.576		6,463	-
Crime Victim Assistance/Discretionary Grants	16.582		200	95
Violence Against Women Formula Grants	16.588		4,079	3,600
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		4	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		206	201
Residential Substance Abuse Treatment for State Prisoners	16.593		304	-
State Criminal Alien Assistance Program	16.606		4,679	-
Project Safe Neighborhoods	16.609		106	35
Public Safety Partnership and Community Policing Grants	16.710		142	-
PREA Program: Demonstration Projects to Establish "Zero Tolerance": Cultures for Sexual Assault in Correctional Facilities	16.735		40	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,158	5,972
DNA Backlog Reduction Program	16.741		2,298	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		392	30
Edward Byrne Memorial Competitive Grant Program	16.751		505	-
Harold Rogers Prescription Drug Monitoring Program	16.754		1	-
Second Chance Act Reentry Initiative	16.812		674	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		52	-
Postconviction Testing of DNA Evidence	16.820		129	129
Vision 21	18.826		250	-
Equitable Sharing Program	16.922		340	-
U.S. Department of Justice Total			**54,086**	**30,944**
U.S. Department of Labor				
Labor Force Statistics	17.002		2,576	-
Compensation and Working Conditions	17.005		222	-
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	17.207	29,080		1,037
Disabled Veterans' Outreach Program (DVOP)	17.801	3,972		-
Local Veterans' Employment Representative Program	17.804	3,080		-
Total Employment Service Cluster			36,132	
Unemployment Insurance	17.225 *	2,018,134		-
ARRA - Unemployment Insurance	17.225 *	(6,396)		-
Total Unemployment Insurance			2,011,738	
Senior Community Service Employment Program	17.235		3,036	2,898
Trade Adjustment Assistance	17.245		11,405	9,986
WIOA Cluster:				
WOIA Adult Program	17.258	34,673		32,505
WOIA Youth Activities	17.259	36,987		34,658
WOIA Dislocated Worker Formula Grants	17.278	52,786		47,027
Total Workforce Investment Act Cluster			124,446	
WOIA Pilots, Demonstrations, and Research Projects	17.261		4	-
Work Opportunity Tax Credit Program (WOTC)	17.271		605	-
Temporary Labor Certification for Foreign Workers	17.273		147	-
WOIA National Dislocated Worker Grants / WIA National Emergency	17.277		3,460	3,447
WOIA Dislocated Worker National Reserve Demonstration Grants	17.280		(5)	-
Workforce Innovation Fund	17.283		438	(2)
Apprenticeship USA Grants	17.285		102	-
Occupational Safety and Health State Program	17.503		1,229	-
Consultation Agreements	17.504		1,327	-
Mine Health and Safety Grants	17.600		268	-
U.S. Department of Labor Total			**2,197,130**	**131,556**

(Continued)

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures	Passed-through to subrecipients
U.S. Department of Transportation				
Airport Improvement Program	20.106 *		$ 65,651	$ 37,247
Highway Research and Development Program	20.200		318	194
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205 *	$ 1,525,740		268,520
Recreational Trails Program	20.219 *	355		348
Total Highway Planning and Construction Cluster			1,526,095	
Highway Training and Education	20.215		168	-
Motor Carrier Safety Assistance	20.218		5,113	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223		1,526	-
Commercial Driver's License Program Implementation Grant	20.232		63	-
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants:				
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	56,862		-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	461,722		19,450
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants			518,584	
Rail Line Relocation and Improvement	20.320		54	54
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	58		58
Bus and Bus Facilities Formula Program	20.526	1,675		-
Total Federal Transit Cluster			1,733	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		6,383	6,037
Formula Grants for Rural Areas	20.509		15,156	12,085
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	7,238		-
Job Access and Reverse Commute Program	20.516	95		95
New Freedom Program	20.521	74		61
Total Transit Services Programs Cluster			7,407	
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		478	12
Highway Safety Cluster:				
State and Community Highway Safety	20.600	11,417		891
State Traffic Safety Information System Improvement Grants	20.610	471		-
Incentive Grant Program to Prohibit Racial Profiling	20.611	25		-
National Priority Safety Programs	20.616	14,065		570
Total Highway Safety Cluster			25,978	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		111	-
Pipeline Safety Program State Base Grant	20.700		1,364	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		815	748
PHMSA Pipeline Safety Program One Call Grant	20.721		43	-
National Infrastructure Investments	20.933		4,680	1,238
U.S. Department of Transportation Total			**2,181,720**	**347,608**
Equal Employment Opportunity Commission				
Equal Discrimination State and Local Fair Employment	30.XXX		1,107	-
Equal Employment Opportunity Commission Total			**1,107**	**-**
General Services Administration				
Donation of Federal Surplus Personal Property	39.003		1,663	1,600
Election Reform Payments	39.011		148	-
General Services Administration Total			**1,811**	**1,600**
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		897	823
Grants to States	45.310		4,363	2,798
National Leadership Grants	45.312		22	-
Laura Bush 21st Century Librarian Program	45.313		229	180
National Endowment for the Arts Total			**5,511**	**3,801**
U.S. Small Business Administration				
Small Business Development Centers	59.037		3,202	1,781
State Trade Expansion	59.061		690	-
U.S. Small Business Administration Total			**3,892**	**1,781**
U.S. Department of Veterans Affairs				
Veterans State Domiciliary Care	64.014		247	-
Veterans State Nursing Home Care	64.015		37,691	-
All-Volunteer Force Educational Assistance	64.124		848	-
U.S. Department of Veterans Affairs Total			**38,786**	**-**
U.S. Environmental Protection Agency				
State Indoor Radon Grants	66.032		475	449
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		918	-
State Clean Diesel Grant Program	66.040		139	-
Multipurpose Grants to States and Tribes	66.204		277	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		302	258
State Underground Water Source Protection	66.433		223	-
Water Quality Management Planning	66.454		573	563

(Continued)

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures		Passed-through to subrecipients
U.S. Environmental Protection Agency, continued					
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	66.458	*	$ 60,444		$ 60,333
Total Clean Water State Revolving Fund Cluster				$ 60,444	
Nonpoint Source Implementation Grants	66.460			4,521	3,108
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	*	70,056		68,503
Total Drinking Water State Revolving Fund Cluster				70,056	
Great Lakes Program	66.469			741	271
Beach Monitoring and Notification Program Implementation Grants	66.472			256	71
Performance Partnership Grants	66.605			20,016	1,028
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			8	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			3	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			240	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			4,406	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			692	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			1,832	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809			122	-
State and Tribal Response Program Grants	66.817			964	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			2	-
U.S. Environmental Protection Agency Total				**167,210**	**134,584**
U.S. Department of Energy					
State Energy Program	81.041		2,366		1,449
ARRA - State Energy Program - Clean Energy Trust Loans	81.041		1,500		-
				3,866	
Weatherization Assistance for Low-Income Persons	81.042			13,637	12,141
Transportation of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			22	-
State Energy Program Special Projects	81.119			76	75
U.S. Department of Energy Total				**17,601**	**13,665**
U.S. Department of Education					
Adult Education - Basic Grants to States	84.002			$ 19,970	18,950
Title I Grants to Local Education Agencies	84.010	*		687,800	671,891
Migrant Education State Grant Program	84.011			1,684	1,077
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			1,564	-
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	*	504,691		494,583
Special Education Preschool Grants	84.173	*	17,531		17,004
Total Special Education (IDEA) Cluster				522,222	
Federal Family Education Loan Program:					
Federal Family Education Loans	84.032G	*	4,318,128		-
Total Federal Family Education Loan Program				4,318,128	
Career and Technical Education -- Basic Grants to States	84.048			39,846	38,961
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	*		108,687	-
Rehabilitation Services - Service Projects	84.128			24	-
Migrant Education Coordination Program	84.144			66	19
Rehabilitation Services Client Assistance Program	84.161			78	-
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177			550	550
Special Education - Grants for Infants and Families	84.181			13,855	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			1,148	-
Education for Homeless Children and Youth	84.196			2,703	2,525
Charter Schools	84.282			653	373
Twenty-First Century Community Learning Centers	84.287	*		43,825	42,139
Special Education - State Personnel Development	84.323			2,255	2,117
Special Education - Personnel Developmental to Improve Services and Results for Children with Disabilities	84.325			96	54
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			288	288
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Programs Grants)	84.330			1,566	1,566
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			605	5
Rural Education	84.358			1,221	1,180
English Language Acquisition State Grants	84.365			27,464	26,644
Mathematics and Science Partnerships	84.366			5,760	5,525
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	*		96,759	94,888
Grants for State Assessments and Related Activities	84.369			13,516	-
Statewide Longitudinal Data Systems	84.372			807	-
School Improvement Grants	84.377	*		36,133	35,127
Race to the Top - Early Learning Challenge	84.412			12,911	129
Race to the Top	84.413			2,725	1,289
Preschool Development Grants	84.419			19,097	18,661
U.S. Department of Education Total				**5,984,006**	**1,475,545**
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			41	26
National Archives and Records Administration Total				**41**	**26**

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures		Passed-through to subrecipients
Election Assistance Commission					
Help America Vote Act Requirements Payments	90.401			$ 798	$ -
Election Assistance Commission Total				**798**	**-**
U.S. Department of Health and Human Services					
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			191	179
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			488	488
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			746	746
Aging Cluster:					
Special Programs for the Aging, Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	*	$ 15,963		15,775
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	*	21,261		20,255
Nutrition Services Incentive Program	93.053	*	4,749		4,749
Total Aging Cluster				41,973	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			26	-
Alzheimer's Disease Demonstration Grants to States	93.051			57	57
National Family Caregiver Support, Title III, Part E	93.052			5,626	5,626
Public Health Emergency Preparedness	93.069			222	-
Environmental Public Health and Emergency Response	93.070			687	253
Medicare Enrollment Assistance Program	93.071			707	639
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			439	26
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			25,734	16,481
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			402	-
Guardianship Assistance	93.090			6,148	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			1,876	1,689
Well-Integrated Screening and Evaluation for Woman Across the Nation	93.094			658	296
Food and Drug Administration Research	93.103			382	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			249	184
Maternal and Child Health Federal Consolidated Programs	93.110			117	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			1,205	53
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			374	72
Injury Prevention and Control Research and State and Community Based Programs	93.136			1,999	855
Projects for Assistance in Transition from Homelessness (PATH)	93.150			2,480	2,480
Grants to States for Loan Repayment Program	93.165			1,260	-
Disabilities Prevention	93.184			105	7
Family Planning Services	93.217			3,778	2,806
Research on Healthcare Costs, Quality and Outcomes	93.226			105	-
Grants to States to Support Oral Health Workforce Activities	93.236			228	84
State Rural Hospital Flexibility Program	93.241			765	743
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			10,106	7,231
Immunization Cooperative Agreements	93.268	*		95,446	1,017
Viral Hepatitis Prevention and Control	93.270			1	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			710	184
Teenage Pregnancy Prevention Program	93.297			1,528	1,528
Small Rural Hospital Improvement Grant Program	93.301			505	505
National State Based Tobacco Control Programs	93.305			999	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			167	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,623	56
State Health Insurance Assistance Program	93.324			1,431	580
Behavioral Risk Factor Surveillance System	93.336			287	-
ACL Independent Living State Grants	93.369			696	696
ACL Assistive Technology	93.464			507	507
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505		3,569		3,337
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		4,964		4,594
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				8,533	
PPHF National Public Health Improvement Initiative	93.507			(5)	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511			313	-
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518			(922)	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519			22	-
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521			1,493	375
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525			5,850	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539			3,327	66
Promoting Safe and Stable Families	93.556			10,894	10,074
TANF Cluster:					
Temporary Assistance for Needy Families	93.558	*	572,345		185,481
Total TANF Cluster				572,345	
Child Support Enforcement	93.563	*		134,282	23,348
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			8,325	4,342
Low-Income Home Energy Assistance	93.568	*		137,641	132,399
Community Services Block Grant	93.569			27,719	26,373

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)		
				Expenditures	Passed-through to subrecipients
U.S. Department of Health and Human Services, continued					
CCDF Cluster:					
Child Care and Development Block Grant	93.575	*	$ 73,175		$ 73,175
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	114,901		107,824
Total CCDF Cluster				188,076	
Refugee and Entrant Assistance Discretionary Grants	93.576			$ 418	418
Refugee and Entrant Assistance Targeted Assistance Grants	93.584			877	877
State Court Improvement Program	93.586			786	562
Community-Based Child Abuse Prevention Grants	93.590			1,429	996
Grants to States for Access and Visitation Programs	93.597			539	522
Chafee Education and Training Vouchers Program (ETV)	93.599			1,688	-
Head Start	93.600			2,858	2,593
Voting Access for Individuals with Disabilities - Grants to States	93.617			207	207
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624			359	-
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626			13	13
Developmental Disabilities Basic Support and Advocacy Grants	93.630			2,213	1,210
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634			555	146
Children's Justice Grants to States	93.643			520	461
Stephanie Tubbs Jones Child Welfare Services Program	93.645			9,936	-
Child Welfare Research Training or Demonstration	93.648			303	85
Adoption Opportunities	93.652			(5)	(2)
Foster Care Title IV-E	93.658	*		194,356	-
Adoption Assistance	93.659	*		80,581	-
Social Services Block Grant	93.667	*		50,943	23,873
Child Abuse and Neglect State Grants	93.669			1,426	1,122
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			3,053	3,039
Chafee Foster Care Independence Program	93.674			5,150	-
Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719			1,431	-
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735			300	300
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			17	-
PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748			19	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752			6,848	4,321
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753			416	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757			1,485	938
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			2,454	304
Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) thru Prevention and Public Health Funds (PPHF)	93.763			235	235
Children's Health Insurance Program	93.767	*		312,580	-
Medicaid Cluster:					
State Medicaid Fraud Control Units	93.775	*	5,735		-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	*	27,367		-
Medical Assistance Program	93.778	*	10,143,677		52,454
Total Medicaid Cluster				10,176,779	
Money Follows the Person Rebalancing Demonstration	93.791			3,780	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			636	574
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			486	470
Section 223 Demonstration Program to Improve Community Mental Health Services	93.829			242	99
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881			36	-
Grants to States for Operation of State Offices of Rural Health	93.913			173	-
HIV Care Formula Grants	93.917			35,552	8,422
HIV Prevention Activities Health Department Based	93.940			3,437	1,298
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			1,166	122
Assistance Programs for Chronic Disease Prevention and Control	93.945			9	9
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			374	183
Block Grants for Community Mental Health Services	93.958			18,821	18,544
Block Grants for Prevention and Treatment of Substance Abuse	93.959	*		70,277	66,802
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			2,313	161
Maternal and Child Health Services Block Grant to the States	93.994			16,795	14,721
Assisted Outpatient Treatment	93.997			30	-
U.S. Department of Health and Human Services Total				**12,325,822**	**864,314**

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Program or Cluster	Federal CFDA #			Amounts (expressed in thousands) Expenditures	Passed-through to subrecipients
Corporation for National and Community Service					
State Commissions	94.003			$ 363	$ 98
AmeriCorps	94.006			6,742	6,704
Program Development and Innovation Grants	94.007			89	89
Operation AmeriCorps	94.025			392	392
Corporation for National and Community Service Total				**7,586**	**7,283**
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security Disability Insurance	96.001	*	$ 79,358		-
Total Disability Insurance/SSI Cluster				79,358	
Social Security - Work Incentives Planning and Assistance Program	96.008			(14)	-
Social Security Administration Total				**79,344**	**-**
U.S. Department of Homeland Security					
State and Local Homeland Security National Training Program	97.005			213	213
Non-Profit Security Program	97.008			1,096	1,096
Boating Safety Financial Assistance	97.012			1,260	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			244	-
Flood Mitigation Assistance	97.029			736	671
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			1,986	(310)
Hazard Mitigation Grant	97.039			18,364	18,017
National Dam Safety Program	97.041			114	-
Emergency Management Performance Grants	97.042			10,201	4,923
Cooperating Technical Partners	97.045			50	-
Pre-Disaster Mitigation	97.047			121	121
Port Security Grant Program	97.056			149	-
Homeland Security Grant Program	97.067			71,789	67,254
Homeland Security Biowatch Program	97.091			1,020	-
U.S. Department of Homeland Security Total				**107,343**	**91,985**
Total expenditures of federal awards				**$ 27,505,639**	**$ 4,211,902**

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.
*Denotes Major Program

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2017. The State's financial reporting entity is described in Note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2017. Each of these entities is subject to separate audits in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

The federal transactions of the following entities are not reflected in this Schedule:

University of Illinois
Illinois State University
Northern Illinois University
Chicago State University
Western Illinois University
Southern Illinois University
Governors State University
Northeastern Illinois University
Eastern Illinois University
Illinois Finance Authority
Illinois Housing Development Authority

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission under the Federal Family Education Loan program, are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2017. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

(b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with the Uniform Guidance. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule of expenditures of federal awards on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State.

(d) Indirect Cost

The State does not use the 10% de minimus indirect cost rate discussed in section 200.414 of the Uniform Guidance.

(2) Description of Major Federal Award Programs

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

U.S. Department of Agriculture

SNAP Cluster: Supplemental Nutrition Assistance Program (CFDA No. 10.551) / State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA No. 10.561)

The objective of the Supplemental Nutrition Assistance Program (SNAP) Cluster is to improve the nutrition levels of low-income households by ensuring access to nutritious, healthful diets through the provision of nutrition education and nutrition assistance through the issuance of monthly benefits for the purchase of food at authorized retailers and to provide federal financial aid to State agencies for costs incurred to operate the program.

Child Nutrition Cluster: School Breakfast Program (CFDA No. 10.553) / National School Lunch Program (CFDA No. 10.555) / Special Milk Program for Children (CFDA No. 10.556) / Summer Food Service Program for Children (CFDA No. 10.559)

The objective of the Child Nutrition Cluster is to assist States: (1) in providing a nutritious nonprofit breakfast and lunch service for school children, through cash grants and food donations; (2) to encourage the domestic consumption of nutritious agricultural commodities; (3) to provide subsidies to schools and institutions to encourage to consumption of fluid milk by children; and (4) to provide free meals to eligible children during the summer months and at other approved times, when school is not in session.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557)

The objective of this program is to provide low-income pregnant, breastfeeding, and postpartum women, infants and children to age five who have been determined to be at nutritional risk with supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost. WIC also promotes breastfeeding as the feeding method of choice for infants, provides substance abuse education, and promotes immunization and other aspects of healthy living.

Child and Adult Care Food Program (CFDA No. 10.558)

The objective of this program is to assist States, through grants-in-aid and other means, to initiate and maintain nonprofit food service programs for children and elderly or impaired adults enrolled in nonresidential day care facilities, children attending afterschool care programs in low-income areas, and children residing in emergency shelters. This program provides aid to child and adult care institutions and day care homes for the provision of nutritious foods that contribute to the wellness, healthy growth, and development of young children, and the health and wellness of older adults and chronically impaired disabled persons.

U.S. Department of Housing and Urban Development

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228)

The objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income. Each activity funded must meet one of the program's National Objectives by: benefiting low- and moderate-income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious immediate threat to the health or welfare of the community where other financial resources are not available.

U.S. Department of Labor

Unemployment Insurance (CFDA No. 17.225)

The objective of this program is to oversee unemployment insurance programs for eligible workers through federal and state cooperation, including unemployment compensation for federal employees or ex-service members, disaster unemployment assistances, and to assist in the oversight of trade adjustment assistances and alternative trade adjustment assistance, and reemployment trade adjustment assistance programs.

(Continued)

U.S. Department of Transportation

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

Highway Planning and Construction Cluster: Highway Planning and Construction (CFDA No. 20.205) / Recreational Trails Program (CFDA No. 20.219)

The objectives of these programs are to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and preserving the National Highway System (NHS), including the Eisenhower Interstate System; for transportation improvements to Federal-aid highways and other public roads; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. The programs also provide funds to the States to develop and maintain recreational trails and trail-related facilities for both nonmotorized and motorized recreational trail uses.

U.S. Environmental Protection Agency

Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)

The objective of this program is to provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468)

The objective of this program is to capitalize Drinking Water State Revolving Funds (DWSRFs) which will provide a long-term source of financing for costs of drinking water infrastructure.

U.S. Department of Education

Title I – Grants to Local Educational Agencies (CFDA No. 84.010)

The objective of this program is to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

Special Education Cluster (IDEA): Special Education ─ Grants to States (CFDA No. 84.027) / Special Education ─ Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to states to assist them in providing special education and related services to all children with disabilities and provide a free appropriate public education to preschool disabled children aged three through five years.

Federal Family Education Loans Program – Guaranty Agencies (CFDA No. 84.032G)

The objective of this program is to encourage lenders to make loans to students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal Government.

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist States in operating comprehensive, coordinated, effective, efficient, and accountable programs of vocational rehabilitation; to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strength, resources, priorities, concerns, abilities, capabilities, and informed choice so they may prepare for and engage in competitive employment.

Twenty-First Century Community Learning Centers (CFDA No. 84.287)

The objective of this program is to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment for children, particularly students who attend high-poverty and low-performing schools.

Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (CFDA No. 84.367)

The objective of this program is to provide grants to State Educational Agencies (SEA) and local educational agencies (LEA) in order to increase student academic achievement through such strategies as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom, and provide low-income minority students greater access to effective teachers, principals and other school leaders.

(Continued)

School Improvement Grants (CFDA No. 84.377)

The objective of this program is to support competitive subgrants to local educational agencies (LEAs) that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources to raise substantially the achievement of students in their lowest-performing schools.

U.S. Department of Health and Human Services

Aging Cluster: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044) / Special Programs for the Aging –Title III, Part C – Nutrition Services (CFDA No. 93.045) / Nutrition Services Incentive Program (NSIP) (CFDA No. 93.053)

The objective of the Special Programs for Aging – Title III, Part B – Grants for Supportive Services and Senior Centers program is to maximize the informal support provided to older Americans to enable them to remain in their homes and communities. Providing transportation services, in-home services, and other support services, this program insures that elders receive the services they need to remain independent.

The objective of the Special Programs for Aging – Title III, Part C – Nutrition Services program is to provide grants to States to support nutrition services including nutritious meals, nutrition education and other appropriate nutrition services for older adults in order to maintain health, independence and quality of life. Meals and nutrition services are to be served in a congregate setting or delivered to the home, if the older adult is homebound.

The objective of the Nutrition Services Incentive Program is to reward effective performance by States and Tribes in the efficient delivery of nutritious meals to older adults through the use of cash or USDA Foods.

Immunization Cooperative Agreements (CFDA No. 93.268)

The objective of this program is to assist states and communities in establishing and maintaining preventative service programs to immunize individuals against vaccine-preventable diseases (including measles, rubella, poliomyelitis, diphtheria, pertussis, tetanus, hepatitis A, varicella, mumps, haemophilus influenza type b, influenza, and pneumococcal pneumonia).

Temporary Assistance for Needy Families (TANF) Cluster (CFDA No. 93.558)

The objective of these programs is to: (1) provide grants to States, Territories, the District of Columbia, and Federally-recognized Indian Tribes operating their own tribal TANF programs to assist needy families with children so that children can be cared for in their own homes; (2) to reduce dependency by promoting job preparation, work, and marriage; (3) to reduce and prevent out-of-wedlock pregnancies; (4) to encourage the formation and maintenance of two-parent families; and

(5) provide economic stimulus to the nation while furthering the ACF mission to promote the economic and social well being of children, youth, families, and communities.

Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Low-Income Home Energy Assistance (CFDA No. 93.568)

The objective of this program is to make Low Income Home Energy Assistance Program (LIHEAP) grants available to States and other jurisdictions to assist eligible households to meet the costs of home energy

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)

The objective of these programs is to make grants to states for child care assistance for low-income families. The goals are to: (1) allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.

Foster Care - Title IV-E (CFDA No. 93.658)

The objective of this program is to help states provide safe and stable out-of-home care for children under the jurisdiction of the State until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.

Adoption Assistance (CFDA No. 93.659)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs who cannot be reunited with their families and who meet certain eligibility tests.

(Continued)

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each state to provide social services that best suit the individuals residing in that state. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) to prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

Children's Health Insurance Program (CFDA No. 93.767)

The objective of this program is to provide funds to states to enable them to maintain and expand child health assistance to uninsured, low-income children, and at a state option, low-income pregnant women and legal immigrants, primarily by three methods: (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; (2) expand eligibility for children under the State's Medicaid program; or (3) a combination of the two.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Health Care Providers and Suppliers (Title XVIII Medicare) (CFDA No. 93.777) / Medical Assistance Programs (CFDA No. 93.778)

The objectives of these programs are: (1) to eliminate fraud and patient abuse in the State Medicaid programs; (2) provide financial assistance to any State which is able and willing to determine through its State health agency or other appropriate State agency that providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions participation; and (3) provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements and other categorically eligible groups.

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment, and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Social Security Administration

Social Security - Disability Insurance (CFDA No. 96.001)

The objective of this program is to replace part of the earnings lost because of physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working.

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

(3) Non-monetary Assistance Inventory

The State reports the following non-cash federal awards on the Schedule of Expenditures of Federal Awards:

- National School Lunch Program (CFDA No. 10.555) – Federal expenditures for this program represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors. The commodities were valued based on USDA price lists.

- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.

- Emergency Food Assistance Program (CFDA No. 10.569) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.

- National Guard Military Operations and Maintenance (CFDA No. 12.401) – Federal expenditures for this program represent the value of telecommunication services provided to the Master Cooperative Agreement by the U.S. Department of Defense.

- National Guard Challenge Program (CFDA No. 12.404) – Federal expenditures for this program represent the value of telecommunication services provided to Lincoln's Challenge by the U.S. Department of Defense.

- Donation of Federal Surplus Personal Property (CFDA No. 39.003) – The objective of this program is strictly a donation program of assets from the federal government to qualified local Illinois donees. Donees (customers) of the Illinois State Agency for Surplus Property (ILSASP) are local Illinois municipalities, public schools, charitable non-profit groups, providers of assistance to the homeless, and some other authorized small businesses as defined by the Federal General Services Administration (GSA). These donees have access to federal excess property that comes from military bases and federal offices such as the USDA for EPA. Assets are available through screening (shopping) online. Donees request property through the ILSASP. ILSASP coordinates the release of the property and assess a service charge to the donee. Service charges are generally 5% of the original acquisition value of the asset. This service charge is intended to maintain the ILSASP operating budget. An 18 month restriction period is set on each asset. Donees are expected to maintain the assets and use them within their business for 18 months. After the restriction period, the assets become the property of the donee.

- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.

- Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide a thorough review and analysis of the management of the program.

- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items "in lieu of cash" received from U.S. Department of Health and Human Services.

(4) Federal Loan Guarantees

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) as well as the outstanding balance of defaulted loans held by ISAC under the Federal Family Education Loans Program - Guaranty Agencies (CFDA No. 84.032G) were as follows:

	July 1, 2016	**June 30, 2017**
Original Principal Balance of Loans Guaranteed by ISAC	$ 3,695,996,000	$ 3,271,587,000
Outstanding Balance of Defaulted Loans held by ISAC	461,796,000	401,164,000
Total FFEL Loans	$ 4,157,792,000	$ 3,672,751,000

(5) Loans with Continuing Compliance Requirements

The Department of Commerce and Economic Opportunity (DCEO) provided funding to local municipalities (subrecipients) under the CDBG – State-Administered Small Cities Cluster program (CFDA No. 14.228). DCEO is responsible for on-going monitoring of the revolving loan funds administered by its subrecipients and any remaining loan funds revert back to DCEO should the subrecipients cease participation in the revolving loan program.

DCEO also provided funding to the Clean Energy Trust (CET) under the American Recovery and Reinvestment Act (ARRA) State Energy Program (CFDA No. 81.041). DCEO is responsible for on-going monitoring of the revolving loan funds administered by CET. Any remaining loan funds revert back to DCEO should CET cease participation in the revolving loan program.

(Continued)

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

DCEO has reported loan balances with continuing compliance requirements for these two programs as follows:

	July 1, 2016	June 30, 2017
Outstanding Balance of CDBG - State-Administered Small Cities Cluster Loans	$ 50,385,000	$ 26,981,000
Outstanding Balance of Clean Energy Trust / State Energy Program Loans held by DCEO	1,500,000	1,500,000
Total Loans	$ 51,885,000	$ 28,481,000

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and the related notes to the Schedule of the State of Illinois (the State) for the year ended June 30, 2017, and have issued our report thereon dated April 30, 2018.

Our report on the Schedule included an emphasis of matter paragraph describing the basis of accounting described in Note 1(c) of the Schedule.

As described in Note 1(a) to the Schedule, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Also as described in Note 1(a) to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in findings 2017-001 through 2017-005, 2017-007, 2017-017, and 2017-020 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Responses to the Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
April 30, 2018

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2017. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Schedule and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our adverse, modified, and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on Aging Cluster Program

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the Aging Cluster program as described in finding numbers 2017-067 for Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting and 2017-068 for Allowable Costs/Cost Principles and Period of Performance. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Adverse Opinion on Aging Cluster Program

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the State did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Aging Cluster program for the year ended June 30, 2017.

Basis for Qualified (Scope Limitation) Opinion on Unemployment Insurance Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State with the Unemployment Insurance program as described in finding number 2017-052 for Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting, consequently, we were unable to determine whether the State complied with the requirements applicable to that program.

Qualified (Scope Limitation) Opinion on Unemployment Insurance Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified (Scope Limitation) Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Unemployment Insurance program for the year ended June 30, 2017.

Basis for Qualified (Noncompliance) Opinions on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2017-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-002
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-002

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-003
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-003
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-004
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-004
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-005
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-005
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-005
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility and Maintenance of Effort	2017-006
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles and Maintenance of Effort	2017-008
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2017-017
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-017
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-017
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-017

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2017-024
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2017-024
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-025
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-026
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-027
IL State Board of Education	Title I – Grants to Local Educational Agencies	Subrecipient Monitoring	2017-041
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2017-041
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2017-041
IL State Board of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Subrecipient Monitoring	2017-041

Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major federal programs.

Qualified (Noncompliance) Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions on Major Federal Programs paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinions on Major Federal Programs paragraph for the year ended June 30, 2017.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying scheduled of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-009 through 2017-016, 2017-018, 2017-019, 2017-022, 2017-023, 2017-028 through 2017-031, 2017-033 through 2017-051, 2017-053 through 2017-055, 2017-057 through 2017-062, 2017-064 through 2017-067 and 2017-069 through 2017-072. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 through 2017-020, 2017-022 through 2017-039, and 2017-041 through 2017-072 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-021 and 2017-040 to be significant deficiencies.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
April 30, 2018

(1) Summary of Auditors' Results

(a) The type of report issued by the Auditor General, State of Illinois, on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b)(1) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois:
- Material weaknesses: **Yes**
- Significant deficiencies: **None reported**

(b)(2) Internal control deficiencies over financial reporting disclosed by the audit of the schedule of expenditures of federal awards:
- Material weaknesses: **Yes**
- Significant deficiencies: **None reported**

(c)(1) Noncompliance which is material to the basic financial statements: **Yes**

(c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **Yes**
- Significant deficiencies: **Yes**

(e) The type of report issued on compliance for major programs:

Adverse:
Aging Cluster

Qualified (Scope Limitation):
Unemployment Insurance

Qualified (Noncompliance):
Supplemental Nutrition Assistance Program Cluster
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
Temporary Assistance for Needy Families Cluster
Foster Care – Tile IV-E
Adoption Assistance
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse

The opinions for all other major programs are unmodified.

(f) Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

U.S. Department of Agriculture

1. Supplemental Nutrition Assistance Program Cluster (10.551/10.561)
2. Child Nutrition Cluster (10.553/10.555/10.556/10.559)
3. Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
4. Child and Adult Care Food Program (10.558)

U.S. Department of Housing and Urban Development

5. Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (14.228)

U.S. Department of Labor

6. Unemployment Insurance (17.225/17.225ARRA)

U.S. Department of Transportation

7. Airport Improvement Program (20.106)
8. Highway Planning and Construction Cluster (20.205/20.219)

U.S. Environmental Protection Agency

9. Clean Water State Revolving Fund Cluster (66.458)
10. Drinking Water State Revolving Fund Cluster (66.468)

U.S. Department of Education

11. Title I – Grants to Local Educational Agencies (84.010)
12. Special Education Cluster (IDEA) (84.027/84.173)
13. Federal Family Education Loan Program (84.032G)
14. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
15. Twenty-First Century Community Learning Centers (84.287)
16. Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (84.367)
17. School Improvement Grants (84.377)

U.S. Department of Health and Human Services

18. Aging Cluster (93.044/93.045/93.053)
19. Immunization Cooperative Agreements (93.268)
20. Temporary Assistance for Needy Families Cluster (93.558)
21. Child Support Enforcement (93.563)
22. Low-Income Home Energy Assistance (93.568)
23. Child Care Development Funds Cluster (93.575/93.596)
24. Foster Care – Title IV-E (93.658)
25. Adoption Assistance (93.659)
26. Social Services Block Grant (93.667)
27. Children's Health Insurance Program (93.767)
28. Medicaid Cluster (93.775/93.777/93.778)
29. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

U.S. Social Security Administration

30. Social Security-Disability Insurance (96.001)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$41,258,459**

(i) The State did not qualify as a low-risk auditee.

(2)(a) Findings related to the basic financial statements reported in accordance with *Government Auditing Standards*:

Findings related to the basic financial statements for the year ended June 30, 2017 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

(2)(b) Findings related to the schedule of expenditures of federal awards reported in accordance with *Government Auditing Standards*:

Finding No.	State Agency	Finding Title	Finding Type
2017-001	IL Office of the Governor and IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

Finding No.	State Agency	Finding Title	Finding Type
2017-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2017-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2017-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2017-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material weakness
2017-007	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2017-017	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2017-020	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness

State Agency: Office of the Governor and Office of the State Comptroller

Federal Agency: All Federal Agencies

Finding 2017-001 *Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards*

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the Statewide SEFA.

Accurate financial reporting problems continue to exist even though the auditors have: (1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), (2) commented on the inadequacy of the financial reporting process of the State, and (3) regularly proposed adjustments to the financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor and towards the Office of the State Comptroller (IOC).

The IOC has made significant changes to the system used to compile financial information; however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post-audit program even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not** a substitute for appropriate internal controls at State agencies.

The State of Illinois has a highly-decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the IOC. These financial reporting packages are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Comprehensive Annual Financial Report (CAFR) preparation process and there are minimum qualifications for all new GAAP Coordinators who oversee the preparation of financial reporting forms, the current process still lacks sufficient internal controls at State agencies. As a result, adjustments relative to the SEFA continue to occur.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past fifteen years as a result of errors identified during the external audits performed on State agencies. These problems significantly impact the preparation and completion of the SEFA and the identification of major programs.

Errors identified in the SEFA reporting process in the current year included: (1) corrections to amounts reported or provided during the audit; (2) adjustments to accurately report loan balances; and (3) unreconciled amounts. These items have been reported in agency level findings for the Illinois Department of Human Services (Finding Code 2017-011), the Illinois Department of Healthcare and Family Services (Finding Code 2017-023), the Illinois Department of Children and Family Services (Finding Code 2017-030), the Illinois Department of Public Health (Finding Code 2017-036), the Illinois State Board of Education (Finding Code 2017-046), the Illinois Community College Board (Finding Code 2017-048), the

(Continued)

Illinois Department of Employment Security (Finding Code 2017-057), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2017-058), the Illinois Department of Transportation (Finding Code 2017-062), and the Illinois Department on Aging (Finding Code 2017-072). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

Although the deficiencies relative to the SEFA financial reporting processes have been reported by the auditors for a number of years, **problems continue** with the State's ability to provide accurate external financial reporting. Although there were improvements to the timing of receiving the SEFA, corrective action necessary to remediate these deficiencies **continues to be problematic**.

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and must include the total amount provided to subrecipients for each Federal program.

Additionally, 2 CFR 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and the terms and conditions of the Federal award.

In discussing these conditions with the Office of the Governor, they stated that the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. Without adequate financial and grants management systems, agency staff are required to perform highly manual calculations of SEFA amounts in a short time frame which results in increased errors. The lack of adequate financial and grants management personnel is due in part to a failure to establish the necessary job titles with specific qualifications to ensure agencies hire applicants who have the minimum required education and specialized skills. In 2014, the Financial Reporting Standards Board (jointly sponsored by the Governor and the Comptroller) issued new guidelines for internal audits and recommended minimum qualifications for GAAP coordinators at State agencies that should assist in addressing the lack of adequately trained personnel.

In discussing these conditions with IOC management, they stated errors and delays at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accurate accumulation and reporting of financial information. The old and antiquated highly decentralized system of tracking, reporting and compiling federal spending information is inadequate to allow for the timely and accurate completion of the SEFA.

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 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)

Recommendation:

We 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 of the SEFA.

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. Both offices are 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 Illinois Department of Innovation and Technology to transform Illinois' IT systems to be more responsive to state employees and taxpayers. An operational ERP system will improve the State's control environment and processes to produce accurate financial statements in a timely manner.

IOC's Response:

The Office accepts the recommendation. While it is expected that the 2017 SEFA audit will be submitted prior to the March 31st deadline, 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.

(Continued)

(3) Current Findings and Questioned Costs Relating to Federal Awards:

Finding No.	State Agency	Finding Title	Finding Type
2017-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2017-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
2017-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2017-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material noncompliance and material weakness
2017-006	IL Department of Human Services	Improper TANF Cluster Beneficiary Payments	Material noncompliance and material weakness
2017-007	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2017-008	IL Department of Human Services	Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement	Material noncompliance and material weakness
2017-009	IL Department of Human Services	Inadequate Process for Monitoring Interagency Program Expenditures	Noncompliance and material weakness
2017-010	IL Department of Human Services	Inadequate Procedures to Ensure Controls Are Operating Effectively at the Service Organization of the SNAP Cluster Program	Noncompliance and material weakness
2017-011	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2017-012	IL Department of Human Services	Inadequate Review of Single Audit Reports	Noncompliance and material weakness
2017-013	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2017-014	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2017-015	IL Department of Human Services	Failure to Determine Eligibility in Accordance with VR Program Regulations	Noncompliance and material weakness
2017-016	IL Department of Human Services	Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2017-017	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material noncompliance and material weakness
2017-018	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries	Noncompliance and material weakness
2017-019	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2017-020	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness
2017-021	IL Department of Healthcare and Family Services	Untimely Communication of Single Audit Report Review Results	Significant deficiency
2017-022	IL Department of Healthcare and Family Services	Failure to Complete Cash Management Reconciliations Timely	Noncompliance and material weakness
2017-023	IL Department of Healthcare and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2017-024	Illinois Department of Children and Family Services	Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report	Material noncompliance and material weakness
2017-025	Illinois Department of Children and Family Services	Failure to Maintain Adequate Provider Licensing Files	Material noncompliance and material weakness
2017-026	Illinois Department of Children and Family Services	Failure to Properly Document and Execute Adoption Assistance Agreements	Material noncompliance and material weakness
2017-027	Illinois Department of Children and Family Services	Missing Documentation in Adoption Assistance Eligibility Files	Material noncompliance and material weakness
2017-028	Illinois Department of Children and Family Services	Failure to Ensure Adoption Assistance Recertifications are Performed on a Timely	Noncompliance and material weakness
2017-029	Illinois Department of Children and Family Services	Inadequate Process for Preparing Title IV-E Financial Reports	Noncompliance and material weakness
2017-030	Illinois Department of Children and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness

(Continued)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

Finding No.	State Agency	Finding Title	Finding Type
2017-031	Illinois Department of Children and Family Services	Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs	Noncompliance and material weakness
2017-032	Illinois Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness
2017-033	Illinois Department of Children and Family Services	Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement	Noncompliance and material weakness
2017-034	Illinois Department of Children and Family Services	Inadequate Process for Reconciling Cash Balances to IOC's Records	Noncompliance and material weakness
2017-035	Illinois Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2017-036	Illinois Department Public Health	Inaccurate Reporting of Federal Expenditure Information	Noncompliance and material weakness
2017-037	Illinois Department Public Health	Failure to Investigate Provider Complaints within Required Timeframes	Noncompliance and material weakness
2017-038	Illinois Department Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and material weakness
2017-039	Illinois Department Public Health	Failure to Obtain and Review Subrecipient Single Audit Reports	Noncompliance and material weakness
2017-040	IL Department of Insurance	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2017-041	Illinois State Board of Education	Inadequate Monitoring of Subrecipients	Material noncompliance and material weakness
2017-042	Illinois State Board of Education	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2017-043	Illinois State Board of Education	Failure to Obtain Certifications for IDEA Child Count	Noncompliance and material weakness
2017-044	Illinois State Board of Education	Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients	Noncompliance and material weakness
2017-045	Illinois State Board of Education	Failure to Properly Account for USDA Donated Foods	Noncompliance and material weakness
2017-046	Illinois State Board of Education	Inadequate Reporting of Federal Expenditures	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2017-047	Illinois Community College Board	Inadequate Risk Assessment of Subrecipients of the CTE Program	Noncompliance and material weakness
2017-048	Illinois Community College Board	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2017-049	Illinois Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and material weakness
2017-050	Illinois Student Assistance Commission	Inadequate Process to Ensure Required Due Diligence is Performed	Noncompliance and material weakness
2017-051	Illinois Student Assistance Commission	Inadequate Process to Verify Bankruptcy Claims are Submitted in a Timely Manner	Noncompliance and material weakness
2017-052	Illinois Department of Employment Security	Failure to Maintain Adequate Supporting Documentation for UI Program Administrative Grants	Scope limitation and material weakness
2017-053	Illinois Department of Employment Security	Failure to Implement UI Program Integrity and Overpayment Reduction Requirements	Noncompliance and material weakness
2017-054	Illinois Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Timeframes	Noncompliance and material weakness
2017-055	Illinois Department of Employment Security	Inadequate Process for Preparing UI Financial Reports	Noncompliance and material weakness
2017-056	Illinois Department of Employment Security	Inadequate Controls over Information Systems	Material weakness
2017-057	Illinois Department of Employment Security	Inaccurate Reporting of Federal Expenditure Information	Noncompliance and material weakness
2017-058	Illinois Department of Commerce and Economic Opportunity	Failure to Properly Report Federal Expenditures	Noncompliance and material weakness
2017-059	Illinois Department of Transportation	Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program	Noncompliance and material weakness
2017-060	Illinois Department of Transportation	Inaccurate Airport Improvement Financial Status Report	Noncompliance and material weakness
2017-061	Illinois Department of Transportation	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2017-062	Illinois Department of Transportation	Inaccurate Reporting of Federal Expenditure Information	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2017-063	Illinois Department of Transportation	Inadequate Controls over Information Systems	Material weakness
2017-064	Illinois Environmental Protection Agency	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2017-065	Illinois Environmental Protection Agency	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and material weakness
2017-066	Illinois Environmental Protection Agency	Inaccurate SF-425 Federal Financial Reports	Noncompliance and material weakness
2017-067	IL Department of Aging	Failure to Properly Draw and Report Cash Advances for the Aging Cluster	Adverse and material weakness
2017-068	IL Department of Aging	Failure to Obligate Funds in Accordance with Period of Performance Requirements	Adverse and material weakness
2017-069	IL Department of Aging	Inaccurate Certification of Maintenance of Effort (MOE) Expenditures	Noncompliance and material weakness
2017-070	IL Department of Aging	Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of Aging Cluster Program Subrecipients	Noncompliance and material weakness
2017-071	IL Department of Aging	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2017-072	IL Department of Aging	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
93.558 ($572,345,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-002 – *Failure to Establish Adequate Controls over the Integrated Eligibility System*

Condition Found:

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

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

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

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

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

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

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

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2017, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

Cause:

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

Possible Asserted Effect:

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-002. (Finding Code 2017-002, 2016-002, 2015-002)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

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

Views of IDHS Officials:

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

The Departments believe the errors found in the data researched for non-financial factors can be attributed to caseworker error due to the small percentage of cases affected. 496,154 cases were approved in IES and of those, 251 cases appeared to have a non-financial factor that would prevent eligibility, indicating less than .06% error rate. These are total cases representing Cash, SNAP and Medical for Health and Family Services and Department of Human Services combined. We are not stating that a system error is not possible, but at this point we do not have a known system error. However, the Departments did not investigate each case independently of the SQL run against the data to state emphatically that system error is not a possibility.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
93.558 ($572,345,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-003 – *Failure to Properly Maintain and Control Case File Records*

Condition Found:

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.

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

Effective October 1, 2013, the State implemented the Integrated Eligibility System (IES) to perform and document eligibility determinations for certain beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs. Since its initial implementation, the use of IES has continued to expand. Documentation related to eligibility determinations performed using IES generally resides solely within the information system.

During our testwork, we noted the procedures in place to maintain and control manual beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted manual case files were generally available to all IDHS personnel and that formal procedures have not been developed for checking hard-copy case files in and out of the file rooms or for tracking their locations. We selected 10 TANF Cluster eligibility case records from each of the five separate local offices (50 total) and noted 13 case records could not be located for our testing. We also selected 50 eligibility case records from two off-site storage facilities and noted 19 case records could not be located for our testing.

In addition, during our testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, we noted a number of case files were provided several weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS. We also noted 1 CHIP and 1 Medicaid case files (with medical payments sampled of $85 and $113, respectively) for which IDHS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of these beneficiaries of the CHIP and Medicaid Program were $1,127 and $26,826 during the year ended June 30, 2017.

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

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2017	Total Fiscal Year 2017 Program Expenditures
TANF Cluster	50	$21,847	$42,009,000	$572,345,000
CHIP	65	$7,972	280,375,000	312,580,000
Medicaid Cluster	125	$24,786	9,582,593,000	10,176,779,000

As discussed above, we also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. As discussed in findings 2017-002 and 2017-017, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2017, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

Cause:

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

Possible Asserted Effect:

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDHS Officials:

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

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($572,345,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-004 – Missing Documentation in Beneficiary Eligibility Files

Condition Found:

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.

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

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2017	Total Fiscal Year 2017 Program Expenditures
TANF Cluster	50	$21,847	$42,009,000	$572,345,000
CHIP	65	$7,972	280,375,000	312,580,000
Medicaid Cluster	125	$24,786	9,582,593,000	10,176,779,000

During our test work, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. We noted the following exceptions during our testwork:

- In 2 TANF Cluster, 6 CHIP, and 24 Medicaid Cluster cases (with payments sampled of $1,690, $1,090, and $4,531, respectively), IDHS could not locate the initial case application or redetermination completed and signed by the beneficiary. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2017 totaled $5,723. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $121,982 and $766,900 for the CHIP and Medicaid Cluster programs, respectively.

- In 2 CHIP and 2 Medicaid Cluster case files (with medical payments sampled of $291 and $406, respectively), IDHS could not initially provide adequate documentation that citizenship verifications were performed to verify the beneficiaries were eligible. While IDHS provided birth certificates or other documentation establishing citizenship subsequent to our field work, we were unable to determine if this information was available to caseworkers at the time eligibility was determined/redetermined. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $617 and $353,893 for the CHIP and Medicaid Cluster programs, respectively.
- In 2 CHIP and 2 Medicaid Cluster case files (with medical payments sampled of $291 and $406, respectively), IDHS could not provide evidence that IDHS verified the beneficiary's social security number. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $617 and $353,893 for the CHIP and Medicaid Cluster programs, respectively.
- In 2 CHIP and 11 Medicaid Cluster case files (with medical payments sampled of $712 and $2,751, respectively), IDHS could not locate adequate documentation evidencing income and asset verification was performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on client handwritten notes, or used income verified on previous applications. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $119,365 and $454,221 for the CHIP and Medicaid Cluster programs, respectively.
- In 7 Medicaid case files (with medical payments sampled of and $1,284), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $410,768 for the Medicaid Cluster program.
- In 1 CHIP and 7 Medicaid case files (with medical payments sampled of $214 and $3,303, respectively), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $418 and $386,529 for the CHIP and Medicaid Cluster programs, respectively.
- In 2 CHIP and 11 Medicaid case files (with medical payments sampled of $712 and $2,751, respectively), IDHS could not provide adequate documentation that cross match verifications were performed to verify the beneficiaries were eligible. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $119,365 and $454,221 for the CHIP and Medicaid Cluster programs, respectively.
- In 16 CHIP and 2 Medicaid case files (with medical payments sampled of $2,266 and $266, respectively), IDHS could not provide source documentation from IES for certain eligibility determinations performed for the beneficiaries. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $30,774 and $30,362 for the CHIP and Medicaid Cluster program.
- In 1 TANF Cluster Child Support Cooperation special test case, IDHS could not provide evidence that the beneficiary was sanctioned subsequent to the beneficiary's failure to cooperate. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2017 totaled $4,040.
- In 2 TANF Cluster Penalty for Refusal to Work special test cases, IDHS could not provide evidence that IDHS verified these beneficiaries' participation in program work activities. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2017 totaled $9,251.
- In 1 TANF Child Under Six special test case, IDHS could not provide documentation of a birth certificate evidencing the child was under six. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2017 totaled $3,657.
- In 4 TANF Cluster cases (with payments sampled of $2,862), IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2017 totaled $9,959.

- In 1 TANF Cluster case (with a payment sampled of $548), the Responsibility Service Plan completed and signed by the beneficiary was prepared late. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2017 totaled $1,222.

As discussed above, we also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. As discussed in findings 2017-002 and 2017-017, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2017, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

Cause:

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

Possible Asserted Effect:

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-004. (Finding Code 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)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDHS Officials:

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

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($572,345,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-005 – *Failure to Perform Eligibility Redeterminations within Prescribed Timeframes*

Condition Found:

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.

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

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF Cluster			
July	3,356	32,003	10.49%
August	3,519	31,929	11.02%
September	3,569	31,467	11.34%
October	3,562	30,811	11.56%
November	3,952	30,650	12.89%
December	4,335	30,426	14.25%
January	4,495	29,793	15.09%
February	4,601	29,298	15.70%
March	4,808	28,724	16.74%

(Continued)

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF Cluster, Ctd			
April	4,709	27,607	17.06%
May	4,808	27,272	17.63%
June	4,759	26,828	17.74%
CHIP			
July	132,833	1,343,118	9.9%
August	129,766	1,340,115	9.7%
September	125,852	1,335,656	9.4%
October	128,927	1,333,426	9.7%
November	139,020	1,332,553	10.4%
December	158,156	1,306,435	12.1%
January	171,479	1,334,115	12.9%
February	176,784	1,334,180	13.3%
March	191,242	1,338,659	14.3%
April	189,812	1,335,946	14.2%
May	198,762	1,335,620	14.9%
June	196,286	1,334,735	14.7%
Medicaid Cluster			
July	50,411	469,865	10.7%
August	47,544	467,909	10.1%
September	44,509	468,513	9.5%
October	44,002	466,711	9.4%
November	41,867	465,967	9.0%
December	43,083	463,773	9.3%
January	43,279	464,330	9.3%
February	42,497	463,182	9.2%
March	49,365	462,121	10.7%
April	49,120	461,751	10.6%
May	52,999	462,408	11.5%
June	55,824	462,822	12.1%

During our testwork we noted redeterminations were not completed within required time frames for 4 TANF cluster cases, 8 CHIP cases, and 2 Medicaid cases (with payments sampled of $2,155, $795, and $998, respectively). Delays in performing redeterminations ranged from 1 to 72 months after the required timeframe.

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

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2017	Total Fiscal Year 2017 Program Expenditures
TANF Cluster	50	$21,847	$42,009,000	$572,345,000
CHIP	65	$7,972	280,375,000	312,580,000
Medicaid Cluster	125	$24,786	9,582,593,000	10,176,779,000

Criteria or Requirement:

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2017, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid Cluster, CHIP, and TANF Cluster programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

Cause:

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

Possible Asserted Effect:

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-005. (Finding Code 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)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We 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.

Views of IDHS Officials:

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

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster

CFDA # and Program Expenditures: 93.558 ($572,345,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $307

Finding 2017-006 – *Improper TANF Cluster Beneficiary Payments*

Condition Found:

IDHS made improper payments to beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork of 50 TANF Cluster program beneficiary payments, we noted 6 beneficiaries received payments that were improperly calculated. As a result of the calculation errors, the monthly payments for 4 beneficiaries (with payments of $2,983) were overstated in total by $307 and the monthly payments for 2 beneficiaries (with payments of $1,659) were understated in total by $47. Total payments made to these beneficiaries under the TANF Cluster were $17,068 for the year ended June 30, 2017. As of the date of our testing (January 30, 2018), the payment errors identified in our sample had not been corrected by IDHS.

Beneficiary payments selected in our sample totaled $21,847. Payments made on behalf of beneficiaries of the TANF Cluster program totaled $42,009,000 during the year ended June 30, 2017.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In accordance with the OMB Compliance Supplement, dated April 2017, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plan requires payments to be made to eligible beneficiaries in accordance with payment levels established within the State Plan.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

Cause:

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

Possible Asserted Effect:

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-006. (Finding Code 2017-006, 2016-006, 2015-006, 2014-005, 2013-005, 12-05)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid.

Views of IDHS Officials:

The Department accepts the recommendation. The implementation of Phase 2 of the Integrated Eligibility System will reduce or eliminate the need for manual calculations of initial prorated entitlements.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutritional Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
10.557 ($184,284,000)
84.126 ($108,687,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)
93.959 ($70,277,000)
96.001 ($79,358,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-007 – *Inadequate Controls over Information Systems*

Condition Found:

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

The information technology applications that support the IDHS major programs include the following:

- *Concurrent* – serves as the eligibility system for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs for all cases with eligibility determinations performed prior to October 1, 2013, including subsequent eligibility redeterminations performed on those cases. The system is used by IDHS to store participant information, perform eligibility determinations for participants, and initiate and document the completion of a variety of required cross-matches for its federal programs.

- *Child Care Management System (CCMS)* – serves as the main database for the State's child care activities which is funded by the Child Care Development Funds (Child Care) Cluster and TANF Cluster programs. The system is used by IDHS and its subrecipients to store participant information, perform eligibility determinations for participants, and track the issuance and redemption of child care vouchers.
- *Consolidated Accounting Record System (CARS)* – serves as the financial accounting database for all of IDHS' federal programs and State funded programs. This system is used by IDHS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Cornerstone* – serves as the data management and analysis system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system is used by IDHS to store participant information, perform eligibility determinations for participants, and provide benefit information for payment.

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

- IDHS could not provide all information necessary to test that user access was appropriately removed from the Concurrent, Child Care Management System, Consolidated Accounting Record System, and Cornerstone applications. Specifically, we noted: (1) user access termination forms were not consistently completed or retained by IDHS; (2) terminated users retained application access after their termination date; and (3) user IDs for terminated users were reassigned to new hires.
- User access reviews were not performed in accordance with established procedures by IDHS during the fiscal year to ensure user access rights were appropriate for the Concurrent, CCMS, CARS, and Cornerstone applications.
- User access for users with administrative access at IDHS local offices was not reviewed in accordance with established procedures by IDHS during the fiscal year to ensure user access rights were appropriate for the Concurrent, CCMS, CARS, and Cornerstone applications.
- Network password settings did not conform to the State's policy for expiration and account lockout requirements.
- IDHS' policies and procedures do not include specific procedures to review access rights for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Funds Cluster, and TANF Cluster programs.

Additionally, during our testwork over changes made to IDHS' information systems, we noted IDHS was not able to generate a list of changes made to its information systems from each respective information system or application identified above. IDHS' current procedures include tracking changes made to its information systems in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDHS from the database during our audit was complete.

Criteria or Requirement:

The A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

Cause:

In discussing these conditions with IDHS officials, they stated the exceptions are the result of IDHS employees not following IDHS policies and procedures and inadequate monitoring controls. Additionally, they stated the CARS and Concurrent systems are over 30 years old and are not capable of producing system generated lists of program changes.

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-007. (Finding Code 2017-007, 2016-007, 2015-018, 2014-013, 2013-014, 12-12)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS implement policies and procedures to ensure access to its information systems is adequately secured and to generate a list of program changes from its information systems and applications.

Views of IDHS Officials:

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

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

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

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 93.959 ($70,277,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-008 – *Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement*

Condition Found:

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

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years. In addition, the State is required to maintain its level of expenditures for substance abuse prevention and treatment services provided to pregnant women and women with dependent children, individuals with HIV, and individuals with tuberculosis.

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

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

Additionally, during our review of expenditures by the State to meet the SAPT MOE requirements, we noted IDHS could not provide detailed supporting documentation for expenditures totaling $23,204,631. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement.

State funded expenditures used to meet the SAPT MOE requirement totaled $95,427,750 for the year ended June 30, 2017.

 (Continued)

Criteria or Requirement:

According to 45 CFR 96.30(a), the fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. Further, 45 CFR 96.134(a) states with respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure the MOE requirement is met and maintaining adequate supporting documentation to support the expenditures used to meet the MOE requirement.

Cause:

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

Possible Asserted Effect:

Failure to maintain required State expenditure levels for MOE and maintain adequate supporting documentation to support expenditures used to meet the MOE requirement results in unallowable costs and noncompliance with program requirements.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-008. (Finding Code 2017-008, 2016-008, 2015-009, 2014-010)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDHS Officials:

The Department accepts the recommendation. The Department will work with DHS-MIS to develop a process to obtain detail for Medicaid payments used for the MOE. In addition, the Department will work with the Illinois Department of Healthcare and Family Services Bureau of Managed Care to explore the use of Managed Care Organization (MCO) billing information to maximize claimable MOE. The Department will finalize MCO billing data and integrate it into the MOE reporting for Center for Substance Abuse Treatment and audits.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for the Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.959 ($70,277,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-009 – *Inadequate Process for Monitoring Interagency Program Expenditures*

Condition Found:

IDHS does not have an adequate process for monitoring interagency expenditures claimed under the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) programs.

Federal and State expenditures under the SNAP Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs are comprised of programs operated by various State agencies. As the State agency responsible for administering these programs, IDHS has executed interagency agreements with each of the State agencies expending federal and/or State program funds. The interagency agreements require periodic reporting of a summary of the agency's "allowable" expenditures to IDHS for preparation of the financial reports required for each program. As the State agencies expending program funds do not determine under which program IDHS reports their expenditures, IDHS is responsible for establishing procedures to ensure the expenditures reported by the expending State agencies meet the applicable federal requirements.

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

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
SNAP Cluster	Department of Healthcare and Family Services	$940,000	$3,076,531,000
TANF Cluster	Department of Children and Family Services	$275,877,000	$572,345,000

 (Continued)

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
TANF Cluster	Department of Healthcare and Family Services	1,810,000	572,345,000
TANF Cluster	Illinois Department of Revenue	45,654,000	572,345,000
TANF Cluster	Illinois Student Assistance Commission	5,006,000	572,345,000
TANF MOE	Department of Healthcare and Family Services	5,524,000	537,722,000
TANF MOE	Illinois State Board of Education	51,452,000	537,722,000
Child Care Cluster	Department of Children and Family Services	34,000	188,076,000
Child Care MOE	Department of Children and Family Services	16,920,000	86,889,000
Title XX	Illinois Department of Public Health	2,810,000	50,943,000
SAPT	Illinois Department of Revenue	29,000	70,277,000
SAPT	Illinois Department of Public Health	305,000	70,277,000

IDHS' procedures to monitor other State agencies expending program funds reported by IDHS include the following:

- Interagency agreements were reviewed and updated (where necessary) to ensure all State programs claimed under the SNAP Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs were subject to an interagency agreement.
- Program questionnaires were developed and distributed to each of the State agencies to assist in documenting the nature of the expenditures provided to IDHS and the internal controls established to ensure compliance with the applicable federal regulations.
- Quarterly certification reports were collected from each of the State agencies to support amounts reported in the federal reports required for each federal program.
- Expenditure details were obtained from each of the State agencies and were reconciled to the quarterly certifications.

However, during our testwork over the documentation of the monitoring procedures discussed above, we noted the following deficiencies:

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

Criteria or Requirement:

The A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure expenditures reported by the expending state agencies meet the applicable federal requirements.

Cause:

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

Possible Asserted Effect:

Failure to properly monitor interagency expenditures may result in claiming of expenditures that are inconsistent with the objectives of the federal program.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-009. (Finding Code 2017-009, 2016-009, 2015-007)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS will implement additional monitoring procedures to ensure that federal and state expenditures incurred by other state agencies meet the applicable program regulations. This additional monitoring will be in conjunction with IDHS' current and ongoing procedure of reviewing and updating interagency agreements when necessary and appropriate, requiring program questionnaires to be completed and returned by other state agencies, requiring quarterly certifications from those other agencies, and requiring reconciliation and sign off concurring with the data identified for each federal program. IDHS will continue to stress to the Department of Health and Family Services the importance of returning the program questionnaire describing internal control in a timely and accurate manner. IDHS will work to perform a detailed review of costs claimed from expenditures reported by the Department of Children and Family Services to ensure specific program requirements are met.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Supplemental Nutritional Assistance Program Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-010 – *Inadequate Procedures to Ensure Controls Are Operating Effectively at the Service Organization of the SNAP Cluster Program.*

Condition Found:

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

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

IN order to ensure the service organization is properly performing its contracted duties relative to the EBT card settlement process, IDHS requires the service organization to have a service organization control report (SOC 1 report) in accordance with *Statement on Standards for Attestation Engagements No. 16: Reporting on Controls at a Service Organization (SSAE 16)*. During our audit, we noted the auditors' report was modified for one control objective that was not achieved. Specifically, the control objective related to ensuring logical access to programs, data, and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions was not achieved.

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

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to follow up on deficiencies identified

in service organization control reports and assess their impact on the administration of the SNAP Cluster program.

Cause:

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

Possible Asserted Effect:

Failure to ensure controls are operating effectively at its third party service organization prohibits IDHS from assessing the effectiveness of internal controls over the reconciliation of payments made to retailers by its service organization.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-010)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend that 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 organizations. Such procedures should include documentation of IDHS' assessment of the impact of any control deficiencies and/or noncompliance identified in the service organization control report on the SNAP Cluster program.

View of IDHS Officials:

The Department accepts the recommendation. The Department agrees that a more formal documentation of the SOC1 report review can be implemented. A review sheet has been identified to document the review and, if necessary, any corrective action plan measures that are needed. This form will be utilized for all SOC 1 report reviews going forward.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for the Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
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93.667 ($50,943,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)
93.959 ($70,277,000)
96.001 ($79,358,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-011 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDHS did not accurately report Federal expenditures under the Supplemental Nutrition Assistance (SNAP) Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), Children's Health Insurance Program (CHIP), Medicaid Cluster, Block Grants for the Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI Cluster (SSDI) programs.

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

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

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

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

Also, upon further review, we noted the cash basis expenditures provided by IDHS for our audit procedures included accrued (not paid) expenditures. We also noted these same amounts were reported to the IOC and were used to prepare the SEFA. Specifically, we noted the following expenditures that were not paid as of June 30, 2017, but were erroneously reported as cash basis expenditures:

Program	Amounts Accrued (Not Paid)	Expenditures Reported on the SEFA	%
SNAP Cluster	$452,000	$3,076,531,000	0.01%
WIC	1,776,000	184,284,000	1.0%
VR	351,000	108,687,000	0.3%
TANF Cluster	3,939,000	572,345,000	0.7%
Child Care Cluster	2,215,000	188,075,000	1.2%
Title XX	173,000	50,943,000	0.3%
SAPT	2,414,000	70,277,000	3.4%
SSDI	83,000	79,358,000	0.1%

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

Criteria or Requirement:

According to 2 CFR 200.510 (a) and (b), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

Cause:

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

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-010. (Finding Code 2017-011, 2016-010, 2015-008, 2014-006, 2013-006)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

Views of IDHS Officials:

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

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)

U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Security Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($184,284,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.959 ($70,277,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-012 – Inadequate Review of Single Audit Reports

Condition Found:

IDHS did not adequately review single audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than $750,000 in federal awards are required to submit a single audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A desk review checklist is used to document the review of the single audit reports.

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

These reviews were completed as follows:

Desk Review Period	Number of Subrecipients
180-210 days after FAC acceptance	11
210-240 days after FAC acceptance	8
240+ days after FAC acceptance	14

We also noted the single audit desk reviews for the two most recent fiscal years are still in process and have not been finalized as of the date of our testwork (January 30, 2018) for six subrecipients.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	%
WIC	$175,873,000	$184,284,000	95.4%
TANF Cluster	185,481,000	572,345,000	32.4%
Child Care Cluster	180,999,000	188,076,000	96.2%
Title XX	23,873,000	50,943,000	46.9%
SAPT	66,802,000	70,277,000	95.1%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, 2 CFR 200.331(d)(3) states that a pass-through entity is required to issue a management decision on audit findings within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC) and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include implementing procedures and hiring adequate resources to ensure single audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

Cause:

In discussing these conditions with IDHS officials, they stated that due to ongoing staffing shortages in the Office of Contract Administration (OCA) desk audit section and loss of one key staff member during fiscal year 2017 Single Audit cycle, the OCA was unable to make advances in resolving this repeated finding.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. Additionally, failure to issue management decisions within six months of receiving single audit reports results in noncompliance with federal regulations.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-011. (Finding Code 2017-012, 2016-011, 2015-010, 2014-009, 2013-008, 12-06, 11-08)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDHS Officials:

The Department accepts the recommendation. Due to ongoing changes per 2 CFR 200 and additional changes being implemented per GATA 30 ILCS 708/5, OCA is reviewing the need for additional staffing headcount to resolve the repeated finding.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)

U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($184,284,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.959 ($70,277,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-013 – *Failure to Follow Established Subrecipient Monitoring Procedures*

Condition Found:

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

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

During our testwork over on-site review procedures performed for 213 subrecipients of the WIC, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established monitoring procedures as follows:

- IDHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews. We noted the following exceptions:

Federal Program	Number of Late Communications	Number of Subrecipients Tested	Number of Days Late (Range)
WIC	2	43	12 – 17
TANF Cluster	1	40	52
Child Care Cluster	7	45	6 – 96
SAPT	1	43	28

- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings or follow up with subrecipients on delinquent CAPs. We noted the following exceptions:

Federal Program	Number of Late CAPs	Number of Subrecipients Tested	Number of Days Late
Child Care Cluster	1	45	18
SAPT	1	43	26

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2017 in accordance with IDHS' planned monitoring schedule. Specifically, we noted the following exceptions:

Federal Program	Number of Reviews Not Performed	Number of Subrecipients Tested
WIC	1	43
TANF Cluster	25	40
Child Care Cluster	1	45
Title XX	17	42

- During our testwork performed, we noted that IDHS did not provide evidence to support a payment of $560,079 to one SAPT subrecipient tested. The amount passed through to this subrecipient under the SAPT program was $4,287,936 during the year ended June 30, 2017

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

(Continued)

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	%
WIC	$175,873,000	$184,284,000	95.4%
TANF Cluster	185,481,000	572,345,000	32.4%
Child Care Cluster	180,999,000	188,076,000	96.2%
Title XX	23,873,000	50,943,000	46.9%
SAPT	66,802,000	70,277,000	95.1%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring on-site procedures and expenditure reviews are performed in a timely manner and are designed to monitor fiscal controls.

Cause:

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

Possible Asserted Effect:

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-012. (Finding Code 2017-013, 2016-012, 2015-011, 2014-008, 2013-009, 12-07, 11-09)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

(Continued)

Views of IDHS Officials:

The Department accepts the recommendation. The Department 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. In addition, IDHS will review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($184,284,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.959 ($70,277,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-014 – *Failure to Communicate Award Information to Subrecipients*

Condition Found:

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During our testwork of the award communications for our sample of subrecipients, we selected the fiscal year contracts awarded to each subrecipient in 2017 to review for compliance with federal award communication requirements. During our review of the award communication files for our sample of awards, we noted the CFDA number was not communicated in the subrecipient award agreement for eight TANF Cluster, one Title XX, and four SAPT subrecipients tested. Upon further review, we noted a general State appropriation code was communicated in the original award document for these 13 subrecipients as IDHS had not determined under which federal program (if any) the expenditures would be claimed at the time they were awarded. Amounts passed through to these subrecipients under the TANF Cluster, Title XX, and SAPT programs were $797,952, $225,801, and $4,184,818, respectively, during the year ended June 30, 2017.

Additionally, we noted the federal program name was not communicated in the subrecipient award agreement for two Title XX subrecipients tested. Amounts passed through to these subrecipients under the Title XX program were $345,884.

As noted above, IDHS uses a general State appropriation code in award communications for which the State is uncertain under which federal program (if any) expenditures will be claimed. Accordingly, subrecipients whose agreements use the general State appropriation code do not adequately address the federal requirements applicable to the program under which the expenditures may ultimately be claimed by IDHS.

While the instances of noncompliance identified in this finding only pertain to certain major programs, we noted the processes and deficiencies in internal controls over compliance described in the preceding paragraphs that contributed to the compliance exceptions pertain to all programs.

Details of the subrecipient payments selected in our samples are as follows:

Major Program	Number of Subrecipients Sampled	Amounts Passed Through to Subrecipients Sampled	Total Subrecipient Payments in Fiscal Year 2017	Total Fiscal Year 2017 Program Expenditures
WIC	43	$92,268,000	$175,873,000	$184,284,000
TANF Cluster	40	6,786,000	185,481,000	572,345,000
Child Care Cluster	45	103,534,000	180,999,000	188,076,000
Title XX	42	12,162,000	23,873,000	50,943,000
SAPT	43	51,551,000	66,802,000	70,277,000

Criteria or Requirement:

According to 2 CFR 200.331(a), a pass-through entity is required to identify Federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is Research and Development, and name of Federal agency.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

Cause:

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

Possible Asserted Effect:

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards.

(Continued)

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-013. (Finding Code 2017-014, 2016-013, 2015-012, 2014-007, 2013-007)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

Views of IDHS Officials:

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

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 ($108,687,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-015 – *Failure to Determine Eligibility in Accordance with VR Program Regulations*

Condition Found:

IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Grants to States (VR) program in accordance with federal regulations.

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

- For two cases, IDHS did not perform a required review of the beneficiary's Individualized Plan for Employment (IPE). Payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $9,122. The payments selected in our sample for these beneficiaries were $7,872.

- For 3 cases, IDHS did not certify eligibility within 60 days of the application date as required. Payments made on behalf of these beneficiaries during the year ended June 30, 2017 were $860. The payments selected in our sample for these beneficiaries were $425.

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

Payments made to beneficiaries of the Vocational Rehabilitation Grants to States program totaled $48,517,000 during the year ended June 30, 2017.

Criteria or Requirement:

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments and 2 CFR 200.203 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

 (Continued)

The Administrative Code, Title 89, Chapter IV, Subchapter B, Section 572.110, states an IPE shall be reviewed whenever necessary, but at least annually. Section 572.50(d) states the IPE must be developed as soon as possible, but no later than 90 days after the customer is determined eligible for the VR program.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

Cause:

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

Possible Asserted Effect:

Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-015. (Finding Code 2017-015, 2016-015, 2015-014, 2014-014, 2013-010, 12-08, 11-11)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We 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.

Views of IDHS Officials:

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

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
10.557 ($184,284,000)
84.126 ($108,687,000)
93.558 ($572,345,000)
93.575/93.596 ($188,076,000)
93.667 ($50,943,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)
93.959 ($70,277,000)
96.001 ($79,358,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-016 – *Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs*

Condition Found:

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

IDHS administers several federal and state programs to assist Illinois families in achieving self-sufficiency, independence, and health. In administering each of these programs, IDHS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, IDHS has submitted a Public Assistance Cost Allocation Plan (PACAP) to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies by

IDHS. IDHS has developed the methodologies for allocating costs to its programs, which IDHS believes best represent the actual costs associated with the program.

Personal service (payroll and fringe benefits) expenditures represent the majority of expenditures allocated to federal programs through the PACAP. Personal service expenditures are approved on an annual basis (or more frequently if needed) through the completion of Department of Central Management Services employee information (CMS-2) forms which are filed within each employee's personnel file. Among other things, the CMS-2 form details the employee's approved salary amount, job code, and cost center. Fringe benefit expenditures for each employee are calculated utilizing rates approved annually by the Department of Central Management Services (DCMS).

During our review of 140 employee payroll and fringe benefit charges (totaling $536,228) allocated to IDHS' federal programs during the year ended June 30, 2017, we noted IDHS did not have adequate procedures in place to verify the fringe rates allocated through the PACAP were accurate and consistent with the applicable rates approved by DCMS. Specifically, we noted the DCMS approved dental rates were $41.27, $22.03 and $11.07; whereas, the dental rates allocated by IDHS were $40.14, $21.57 and $10.88, respectively, which resulted in costs of $2.60 not being allocated for the six employees sampled. Upon further review, we noted the benefit rates allocated by IDHS were less than the approved rates established by DCMS for 1,089 transactions resulting in undercharges of $594. Accordingly, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), Block Grants for the Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI Cluster (SSDI) programs were undercharged by $0.07, $0.46, $0.46, $0.09, $0.67, and $0.19, respectively, during the year ended June 30, 2017.

While the costs charged to the program were understated by an immaterial amount, the control deficiencies identified in prior year audits have not been corrected by IDHS. Specifically, we noted IDHS has not established controls to verify the accuracy of any of the fringe rates associated with benefit charges allocated through the PACAP. Accordingly, a material change (increase or decrease) in the benefit rates charged may occur and not be identified by IDHS.

Total personal services (payroll and fringe benefits) costs allocated through the PACAP for the programs listed above for the year ended June 30, 2017 were $299,335,244. The amounts by program are as follows:

Program	Amount
SNAP Cluster	$156,931,673
WIC	4,304,389
VR	46,107,966
TANF Cluster	28,471,392
Child Care Cluster	5,699,834
Title XX	1,016,365
SAPT	3,803,383
SSDI	53,000,242
Total	$299,335,244

(Continued)

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits . In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure approved fringe benefits are charged.

Cause:

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

Possible Asserted Effect:

Failure to charge approved fringe benefit amounts may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-016. (Finding Code 2017-016, 2016-016)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS implement procedures to ensure fringe rates in the payroll system, which are subsequently allocated through the PACAP, are consistent with those approved by DCMS.

Views of IDHS Officials:

The Department accepts the recommendation. The Payroll Office has requested that the Department of Innovation and Technology (DoIT) provide screen prints of the data entered into the Payroll System for verification.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($3,076,531,000)
93.558 ($572,345,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-017 – *Failure to Establish Adequate Controls over the Integrated Eligibility System*

Condition Found:

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

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

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

Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and

Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

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

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

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

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2017, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

Cause:

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

Possible Asserted Effect:

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS implement adequate general information technology control procedures for the IES system. We also recommend DHFS evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs.

Views of DHFS Officials:

The Departments accept the recommendation and will work together to implement an approval process for changes made to the IES. The Departments will develop formal change control policies and procedures for IES and ensure that programmers do not have direct access to the production environment without proper approval. The security issues were previously identified by the Departments and a Plan of Action and Milestones were developed to track each issue, with the exception of two items which are tracked in the weekly infrastructure technical meeting. The current transition the Departments were undertaking from one system to another comes with an unfamiliarity of processing procedures and nuances that are still being learned and perfected. During the audit period, casework staff had been required to spend substantial time participating in training of the new system. The transition from paper case records to electronic case records required a massive change in the gathering and maintaining of documentation. Although the new system does allow for proper maintenance of documentation in an electronic format, the conversion to the new process is still being refined. It is expected that as the transition to the new system stabilizes, casework errors will be reduced.

(Continued)

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-018 – *Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries*

Condition Found:

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.

During our testwork, we noted DHFS procedures for verifying with beneficiaries whether services billed by providers were actually received by Medicaid Cluster beneficiaries consisted of special projects performed by the DHFS Office of Inspector General and Bureau of Comprehensive Health Services. However, the current projects only cover procedures billed by non-emergency transportation providers, optometric providers, and dental providers which only account for less than 0.9% of total provider reimbursements. Additionally, we noted DHFS obtains an annual summary of the results of recipient verification procedures performed by managed care organizations. DHFS does not perform any verification procedures for services billed by the following fee for service provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- Home and Community-Based Service Providers
- Physical Therapy Providers
- Occupational Therapy Providers

Payments made to non-emergency transportation providers, optometric providers, and dental providers totaled $39,823,785 during the year ended June 30, 2017. Payments made to managed care organizations totaled $4,962,604,000 during the year ended June 30, 2017. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled $9,582,593,000 during the year ended June 30, 2017.

 (Continued)

Criteria or Requirement:

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify with recipients whether services billed by providers were received.

Cause:

In discussing these conditions with DHFS officials, they stated that prior to the roll out of managed care the Department used a risk based approach to send verifications so not all provider types were included in the verifications.

Possible Asserted Effect:

Failure to verify with recipients whether services billed by providers were received may result in expenditures being made for services not actually provided to beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2016-022. (Finding Code 2017-018, 2016-022, 2015-022, 2014-020, 2013-017, 12-19, 11-23, 10-20)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

Views of DHFS Officials:

The Department respectfully disagrees with this recommendation because it believes it is in compliance with the regulation. The Department has a method for verifying with recipients whether services were billed. Approximately 65% of the Medicaid recipients and 45% of the federal expenditures are within managed care. Managed Care Organizations, acting on the Department's behalf, send recipient verifications to recipients that have received services from various provider types. While the Department does not send verifications to recipients of services of the same provider types the managed care organizations send, the Department focuses its efforts on high risk fee for service providers. The Department believes the combined effort is in compliance with the federal regulation to have a method of verification. The Federal Medicaid Program Integrity auditors review compliance with this regulation every three years. While, the Federal auditors found the Department out of compliance in previous years, the Federal auditors did not find the Department out of compliance with this regulation in the most recent program integrity reviews issued in 2012 and 2015.

 (Continued)

Auditors' Comment:

As discussed in the finding above, the State must have a method for verifying with recipients whether services billed by providers were received. We do not believe the federal regulations permit the State to exclude more than 50% of the Medicaid expenditures from these verification procedures.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-019 – *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

Condition Found:

DHFS does not have an adequate process to monitor agencies operating the Home and Community-Based Services Waiver programs.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved home and community-based waiver programs. Eight of the nine waivers are operated by another state agency. The federal Centers for Medicare and Medicaid Services (CMS) holds DHFS, as the Single State Medicaid agency, responsible for oversight and monitoring of the nine federally-approved home and community-based waiver programs operated by the State. To ensure compliance with these federal requirements, DHFS contracts with a Quality Improvement Organization (QIO) to independently perform onsite participant level review activities, known as Record Reviews, as well as more extensive reviews at the Provider level, known as Comprehensive Provider Reviews, for five of the nine waiver programs, including Elderly, Adult DD, Brain Injury, HIV and AIDS, and Persons with Disabilities. Record Reviews are conducted on a random sample of waiver participants who are Medicaid Fee for Service. In fiscal year 2017, the QIO conducted 1,593 Record Reviews at 107 different site locations.

Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. During our review of monitoring procedures performed by DHFS, we noted DHFS selects a sample of on-site provider reviews with deficiencies to validate corrective action plans were implemented and that deficiencies were remediated. However, we noted the on-site provider reviews performed by DHFS in fiscal year 2017 were selected based upon the proximity of the providers location to available monitoring personnel and did not take into consideration the severity of the deficiencies identified.

Criteria or Requirement:

According to 42 CFR 431.10, the Medicaid agency is responsible for ensuring that a waiver is operated in accordance with applicable Federal regulations and the provisions of the waiver itself. According to 42 CFR 441.302, states are required to provide assurance that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of the services. Those safeguards must include adequate standards for all types of providers that provide services under the waiver; assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver; and assurance that all facilities covered by section 1616(e) of the Act, in which home and community-based services will be provided, are in compliance with applicable State standards that meet the requirements of 45 CFR Part 1397 for board and care facilities.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing follow-up procedures on monitoring deficiencies to determine whether corrective action plans are implemented or whether the deficiencies still exist.

Cause:

In discussing these conditions with DHFS officials, they stated that they believe the current monitoring of agencies operating home and community-based waivers meets federal requirements.

Possible Asserted Effect:

Failure to adequately monitor agencies operating Home and Community-Based Waiver programs may result in provider health and safety standard violations and unallowable costs being claimed to the program.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of DHFS Officials:

The Department accepts the recommendation but believes its current monitoring of agencies operating home and community-based waivers meets federal requirements. Federal CMS requires that DHFS retain administrative authority and responsibility for the operation of the waiver programs by exercising oversight of the performance of waiver functions by other state and local/regional non-state agencies and contracted entities. Federal requirements do not specify how the State Medicaid agency samples records chosen for individual remediation verification. Additionally, DHFS is conducting oversight of the operating agencies monitoring of deficiency remediation. As the operating agency is charged with ensuring that 100% of the deficiencies are remediated, the provider locations and severity of deficiency “sampled” by HFS becomes less significant.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($134,282,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-020 – *Inadequate Controls over Information Systems*

Condition Found:

DHFS does not have adequate program access controls over information systems used to pay medical benefits to beneficiaries and record program expenditures.

The information technology applications that support the DHFS major programs include the following:

- *Programmatic and Administrative Accounting System (PAAS)* – serves as the financial accounting database for all of DHFS' federal programs and State-funded programs. This system is used by DHFS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Medicaid Management Information System (MMIS)* – serves as the main system used to process the State's Medicaid activities, including the monthly collection, validation, and processing of Medicaid claims under the Medicaid Cluster program.
- *Key Information Delivery System (KIDS)* – serves as the child support system that processes benefit claims for children's healthcare under the Child Support Enforcement program.

During our testwork over user access to the State's network and DHFS' applications, we noted the following:

- 22 terminated employees (out of 25 tested) did not have their user access removed timely. DHFS policy requires user access to be removed from information systems by the 25th day of the month following the employee's termination date.
- Three individuals (out of 25 tested) did not have evidence that annual user access reviews were performed during the year ended June 30, 2017. DHFS requires an annual certification to be completed for each user granted access. The annual certification requires each user's immediate supervisor to view the user's access permissions and certify those permissions continue to be appropriate.

During our testwork over changes made to the Key Information Delivery System, we also noted DHFS was not able to generate a list of changes made to the Key Information Delivery System. DHFS' current procedures include tracking changes made to the Key Information Delivery System in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by DHFS from the database during our audit was complete.

In addition, we noted the password settings for access to the PAAS server do not conform to the State's policy for minimum password length and the account lockout requirements.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured.

Cause:

In discussing these conditions with DHFS officials, they stated the access review process is still limited to the annual performance review process that were not always being performed timely.

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS follow its established policies and procedures to ensure access to its information systems are adequately secured.

Views of DHFS Officials:

The Department accepts the recommendation. Access control processes and procedures for DHFS currently in place, are being reviewed and revised to accommodate the changing IT structure in Illinois. Created under Executive Order 16-01, Illinois is currently in the process of modernizing technology by consolidating IT resources and IT services under a single agency, the Department of Innovation and Technology (DoIT). The Agency will continue to collaborate with DoIT in remediation efforts.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement

CFDA # and Program Expenditures: 93.563 ($134,282,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2017-021 – *Untimely Communication of Single Audit Report Review Results*

Condition Found:

DHFS did not communicate the results of its review of single audit reports received from its subrecipients for the Child Support Enforcement (CSE) program on a timely basis.

Subrecipients who receive more than $750,000 in federal awards are required to submit a single audit report to DHFS. DHFS is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to DHFS programs. A desk review checklist is used to document the review of the single audit reports and DHFS' procedures includes communicating review results (i.e. acceptance of planned corrective action, issuance of management decisions, and/or acceptance of the audit report) for all single audit reports within six months of acceptance of the single audit report by the Federal Audit Clearinghouse (FAC).

During our review of a sample of single audit desk review files for 16 subrecipients (with expenditures of $5,204,667), we noted DHFS did not notify four subrecipients (with expenditures totaling $3,394,426) of the results of single audit desk reviews within six months of acceptance of the single audit report by the FAC as required by their procedures. Delays in communicating results ranged from 9 to 24 days after the required timeframe.

DHFS' subrecipient expenditures under the CSE program for the year ended June 30, 2017 totaled $23,348,000.

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include implementing procedures and hiring adequate resources to ensure single audit report review results are communicated in a timely manner.

 (Continued)

Cause:

In discussing these conditions with DHFS officials, they stated Department practice has been to send management decision letters even when they are not required. The four subrecipient audits were reviewed timely; however, a delay in notification that the subrecipients did not have any DHFS specific findings was due to an oversight.

Possible Asserted Effect:

Failure to communicate the results of single audit report reviews in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-021)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS establish procedures to ensure the results of single audit report reviews are communicated to its subrecipients on a timely basis.

Views of DHFS Officials:

The Department respectfully disagrees with this recommendation because it believes the Department is in compliance with Federal regulations. 2 CFR 200.331(d)(3) states that pass-through entity monitoring of the subrecipient must include "(3) Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity as required by 2 CFR 200.521 Management decision". 2 CFR 200.521(d) *Time Requirements* states that "The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC" (Federal Audit Clearinghouse). Department practice has included sending management decision letters in instances that are not required; however, Federal regulations only require letters be issued according to Federal timelines when there are specific findings related to DHFS programs. Federal regulations require the cognizant agency to report on cross-cutting findings. All single audit reports are reviewed by the Department prior to the formal issuance of the management decision letter. The reports in question in this audit had been reviewed an average of 102 days prior to the due date. The reports are reviewed to determine whether any audit findings affect DHFS programs. In the case of the reports noted, there were no reports that had findings related to DHFS programs specifically. The management decision letters noted as untimely during this audit were related to cross-cutting findings where DHFS was not the cognizant agency and were not even required to be sent. DHFS will update its procedures to coincide with Federal requirements.

(Continued)

Auditors' Comment:

As stated in the finding above, it is DHFS' practice to issue management decision letters to all subrecipient's with findings and the control exceptions reported in this finding are due to an oversight. We noted subrecipients identified as control exceptions in this finding did have findings attributable to the Child Support Enforcement program and it is DHFS' practice to issue management decisions in this instance. This finding has been classified as a control finding given the exception pertains to management's process which applies to all of its subrecipients.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($134,282,000)
93.767 ($312,580,000)
93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-022 – *Failure to Complete Cash Management Reconciliations Timely*

Condition Found:

DHFS did not complete quarterly cash management reconciliations of cash draws to actual expenditures for assistance payments made under the Medicaid Cluster, Children's Health Insurance Program (CHIP), and Child Support Enforcement (CSE) programs timely or make adjustments identified as a result of these reconciliations in a timely manner.

The cash management process for the Medicaid Cluster and CHIP includes making assistance cash draws on a daily basis based on actual warrants issued the previous day, an estimate of the agency's overall federal participation rate, and any expected refunds. At the end of each quarter, DHFS reports actual assistance expenditures of the Medicaid Cluster and CHIP to USDHHS through the claim reporting process. At the end of the quarter, DHFS reconciles the actual expenditures of these programs to the amount drawn. The cash management process of CSE includes making administrative cash draws on the same day payroll is paid. Prior to the start of each quarter, DHFS prepares an estimate of CSE federal administrative expenditures based upon a combination of historical data in CSE administrative costs. At the end of the quarter, DHFS reconciles all actual expenditures of the CSE program to the amount drawn.

Since cash draws are based on estimated expenditures for each quarter, the reconciliations identify the difference between the actual program expenditures and those estimates. The net cash position identified for each program in the quarterly reconciliation process is used to estimate the expenditures to be used for the next quarter's draws and to adjust future draws to ensure amounts drawn equal actual program expenditures.

During our testwork, we noted the first through third quarter reconciliations were not timely performed for all three programs and that draws for the CHIP, Medicaid Cluster, and CSE programs were not adjusted for the quarterly net cash position identified in the reconciliations in a timely manner. We noted the following differences in our review of the quarterly reconciliations of the CSE, CHIP, and Medicaid Cluster programs:

	Medicaid		CHIP		CSE	
Quarter	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**
9/30/16	($66,205,264)	7/17/17	($99,551,194)	7/17/17	($3,966,160)	7/17/17
12/31/16	($341,257,240)	7/17/17	($34,579,458)	7/17/17	$22,715	7/17/17
3/31/17	$90,700,446	7/17/17	($68,143,673)	7/17/17	$1,554,588	7/17/17
6/30/17	$299,714,945	8/23/17	($31,146,273)	8/23/17	$1,421,305	8/23/17

Criteria or Requirement:

According to 31 CFR 205.7(d), a State must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs. 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure the cash draw reconciliations are performed timely to ensure funds requested meet actual cash needs and reconciling items can be resolved in a timely manner.

Cause:

In discussing these conditions with DHFS officials, they stated reconciliations were performed quarterly, but the final supervisory review was late due to staff participation in new IT development for MMIS and accounting systems.

Possible Asserted Effect:

Failure to complete reconciliations of cash draws to actual expenditures in a timely manner may result in the State requesting funds in excess of actual and immediate cash needs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-022)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of DHFS Officials:

The Department accepts the recommendation.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-023 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

DHFS did not accurately report Federal expenditures under the Medicaid Cluster program.

DHFS inaccurately reported federal expenditures which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC) for federal expenditures and amounts passed through to subrecipients for the Medicaid Cluster major program:

	Amount per DHFS' Records	Amount Initially Reported to the IOC	Difference
Federal expenditures	$10,176,779,000	$10,218,833,000	($42,054,000)
Amounts passed through to subrecipients	52,440,000	52,454,000	14,000

Upon further review, we noted the error in the reported federal expenditures was the result of the miscalculation of Medicaid Cluster expenditures made by the Illinois Department of Human Services (IDHS) which was detected during the IDHS departmental financial statement audit. Although the differences identified above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510 (a) and (b), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

 (Continued)

Cause:

In discussing these conditions with DHFS officials, they stated expenditures were reported consistent with prior years' methodology. An audit adjustment to the Illinois Department of Human Services departmental financial statements resulted in the expenditure difference. The difference in the amounts passed through to subrecipients was a human calculation error.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-023)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS establish procedures to accurately report federal expenditures (including amounts passed through to subrecipients) used to prepare the SEFA to the IOC.

Views of DHFS Officials:

The Department accepts the recommendation. Department officials notified both IOC and Office of the Auditor General (OAG) of these differences, but both entities passed on making further adjustments due to timeliness and materiality. As stated above, DHFS reported the Medicaid Cluster expenditures consistent with prior years' methodology and believes our process would not result in undetected material errors.

Auditors' Comment:

The considerations made by DHFS and the IOC relative to the error identified in this finding were in relation to the State's financial statements, not the SEFA. The error identified was not evaluated by State management outside of the audit process related to the SEFA.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $1,231 (Foster Care – Title VI-E)
$3,566 (Adoption Assistance)

Finding 2017-024 – *Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report*

Condition Found:

DCFS does not have an adequate process for supporting adjustments to the Title IV-E claiming report.

DCFS is required to submit quarterly financial reports (CB-496) for both the Foster Care and Adoption Assistance programs, which include information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports. Increasing and decreasing adjustments to amounts previously claimed are required to be reported on a gross basis and supported by eligibility determinations or documentation that provides the basis for the adjustment.

During the year ended June 30, 2017, DCFS identified and reported 98 increasing and 91 decreasing adjustments to the Foster Care program. DCFS also identified and reported 31 increasing and 26 decreasing adjustments to the Adoption Assistance program. Increasing and decreasing adjustments reported on quarterly claims pertaining to the year ended June 30, 2017 totaled as follows:

	Foster Care		Adoption Assistance	
Quarter Ended	**Increasing**	**Decreasing**	**Increasing**	**Decreasing**
September 30, 2016	$3,442,344	$1,077,135	$24,089	$93,787
December 31, 2016	4,781,949	214,419	110,967	48,103
March 31, 2017	3,553,262	894,536	114,054	55,356
June 30, 2017	4,786,120	421,429	58,633	34,744

During our testwork over adjustments to the Foster Care and Adoption Assistance programs reported on quarterly claiming reports filed during the year ended June 30, 2017, we noted DCFS did not properly report adjustments on a gross basis for 8 of 11 adjustments tested. Specifically, we noted four increasing Foster Care adjustments (totaling $228,748), one decreasing Foster Care adjustment (totaling $242,479), and all three increasing Adoption Assistance adjustments (totaling $56,242) sampled in our testing included both debit and credit transactions. Accordingly, increasing and decreasing adjustments reported by DCFS are understated because they are reported net.

 (Continued)

Additionally, in our testing of 40 individual adjusting transactions (30 from Foster Care totaling $100,013 and 10 from Adoption Assistance totaling $8,324), we noted the following transactions were not properly supported as follows:

- DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing transaction totaling $1,231 sampled from a decreasing adjustment (of $220,403) for the Foster Care program.
- DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing transaction totaling $3,566 sampled from an increasing adjustment (of $34,342) for the Adoption Assistance program.

In evaluating DCFS' process for identifying and documenting adjustments made to its quarterly claims, we noted DCFS has not implemented adequate supervisory reviews or other monitoring controls to determine if the adjustments being made are complete, accurate, and properly supported.

As of the date of our testing, DCFS had not quantified the impact of this reporting error.

Criteria or Requirement:

According to 42 USC 1320b-2, a State agency must file a claim for payment with respect to an expenditure made during any calendar quarter by the State within the two-year period which begins on the first day of the calendar quarter immediately following such calendar quarter. Any payment shall not be made on account of any such expenditure if the claim is not made within the two-year period, except with respect to any expenditure involving court-ordered retroactive payments, audit exceptions, or adjustments to prior year costs.

Additionally, according to 45 CFR 205.60(a), the State agency must maintain or supervise the maintenance of records necessary for the proper and efficient operation of the State plan, including records regarding applications, determination of eligibility…recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations, and modifications. The records will include facts essential to the determination of initial and continuing eligibility, and the basis for discontinuing assistance.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

Furthermore, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure all adjustments to prior year costs are properly determined and supported.

Cause:

In discussing these conditions with DCFS officials, they stated Agency oversight failed to ensure independent verification of the identified adjustments described above resulting with the Department not being able to supply required documentation as requested. The Department also stated that adjustments are reported net on the CB-496 due to limitations of the claiming system used to calculate adjustments.

Possible Asserted Effect:

Failure to properly report adjustments on a gross basis inhibits the ability of USDHHS to monitor the Foster Care and Adoption Assistance programs. Additionally, failure to maintain proper supporting documentation for expenditures (adjustments) claimed for the Foster Care and Adoption Assistance programs may result in payments to ineligible beneficiaries which are unallowable costs.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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. DCFS should also consider implementing additional monitoring controls to ensure the adjustments are reported in accordance with program requirements.

Views of DCFS Officials:

The Department agrees with the recommendations. Recent improvements to the claiming system will ensure that adjustments are presented in accordance with federal reporting requirements beginning with the quarter ending March 31, 2018. The Department will continue to review its monitoring controls to ensure that adjustments to quarterly financial reports are properly supported by adequate file documentation.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658 ($194,356,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $72,094

Finding 2017-025 – *Failure to Maintain Adequate Provider Licensing Files*

Condition Found:

DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers.

The objective of the Foster Care program administered by DCFS is to provide safe, appropriate, substitute care for children in Illinois in need of temporary placement and care outside their homes. DCFS, as the State foster care licensing authority, is required to ensure foster family homes or child-care institutions are fully licensed, which includes ensuring the required background checks have been performed and the safety considerations with respect to child-care institution staff have been addressed.

During our testwork of 50 Foster Care maintenance assistance payments (totaling $92,235), we reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid, we noted the licensing files for 31 foster care beneficiary payments sampled (totaling $72,094) related to 24 child care institution service providers did not contain documentation that verified the safety considerations with respect to staff of the institution had been addressed. Specifically, required background clearances were not obtained for all staff members. DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling $566,602 during the year ended June 30, 2017.

As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for ensuring foster care providers were properly licensed prior to claiming Foster Care maintenance payments. Additionally, monitoring controls were not established to ensure licensing procedures were being followed.

Foster care maintenance payments during year ended June 30, 2017 totaled $74,604,000.

(Continued)

Criteria or Requirement:

According to 42 USC 671(a)(20), any prospective foster parent must submit to criminal records checks, including a fingerprint-based check of national crime information databases, and a child abuse and neglect registry check before the foster parent may be finally approved for placement of a child. According to 45 CFR 1356.30(f), in order for a child-care institution to be eligible for Title IV-E funding, the licensing file for the institution must contain documentation that verifies the safety considerations with respect to the staff of the institution has been addressed. According to State requirements (225 ILCS 10/4.1), any applicant, employee, or volunteer of a child care facility or non-licensed service provider must submit his fingerprints to the Department of State Police to be checked against the fingerprint records filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the foster care provider licensing files are complete, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers.

Cause:

In discussing these conditions with DCFS officials, they stated the record keeping systems were not designed to adequately capture the information needed to document the completion of the background clearances.

Possible Asserted Effect:

Failure to maintain complete provider licensing files for foster family homes and child-care institutions, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers, could result in payments being made to ineligible service providers, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-028. (Finding Code 2017-025, 2016-028)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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 the staff of child-care institutions has been properly addressed. Additionally, we 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.

Views of DCFS Officials:

The Department agrees with and has implemented the auditor recommendations, including changes in both licensing and monitoring procedures, for provider background checks.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $330

Finding 2017-026 – *Failure to Properly Document and Execute Adoption Assistance Agreements*

Condition Found:

DCFS made recurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements.

The adoption assistance program provides funds to States for benefit payments to parents who adopt eligible children with special needs. Under this program, DCFS is required to enter into adoption assistance agreements with adoptive parents who receive subsidy payments or reimbursement of nonrecurring adoption expenses on behalf of a special needs child. The adoption assistance agreement specifies the nature and amount of monthly assistance to be given to parents, as well as the nonrecurring expenses that will be reimbursed. The agreement must be executed prior to the finalization of the adoption.

During our testwork of adoption assistance beneficiary payments, we reviewed 50 case files and related benefit payments (totaling $30,364) for compliance with eligibility requirements and allowability of related benefits. We noted the following:

- One beneficiary assistance subsidy payment sampled was greater than the subsidy amount documented in the approved adoption assistance agreement. The sampled payment was $1,270, whereas the payment amount in the approved adoption agreement was $1,019. The case records did not contain documentation supporting another amount had been agreed to by the State and adopting parents. Accordingly, the sampled payment was $251 more than the amount in the adoption agreement.
- One beneficiary assistance subsidy payment sampled was greater than the subsidy amount documented in the approved adoption assistance agreement. The sampled payment was $471, whereas the payment amount in the approved adoption agreement was $392. Upon further review, we noted the monthly payment actually paid at the time of the adoption was $409, which was consistent with the approved foster care rate at that time based upon the age of the child. The sampled payment is consistent with the approved foster care rate based upon the current age of the child; however, we noted neither the adoption assistance agreement nor the case file discuss using the foster care maintenance payment or any changes to the payment amount.

As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for documenting changes to subsidy payments prior to claiming them under the Adoption Assistance program. Additionally, adequate monitoring controls were not established to ensure subsidy payments are consistent with executed agreements or changes are adequately documented in accordance with established procedures.

Adoption subsidies paid during the year ended June 30, 2017 totaled $61,270,000.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 675(3), the adoption assistance agreement for the subsidy must contain information concerning the nature and amount of payments to be provided and be signed and in effect prior to the final adoption decree. According to 42 USC 673(a)(3), the amount of the payments to be made…shall be determined through agreement between the adoptive parents and the State…which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure adoption assistance subsidy payments are consistent with approved adoption assistance agreements or changes are documented and approved by the State and adoptive parents.

Cause:

In discussing these conditions with DCFS officials, they stated the errors in payments were attributed to clerical errors and insufficient review procedures to ensure all documents relevant to the agreements were maintained.

Possible Asserted Effect:

Failure to maintain case file documentation, including documentation to support changes in the amount of the subsidy paid, may result in payments to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-029. (Finding Code 2017-026, 2016-029, 2015-028, 2014-025)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure adoption assistance subsidy payments are consistent with the approved subsidy payment amount in the adoption assistance agreement and to obtain and include proper supporting documentation for subsidy payment changes in the adoption assistance case files. Additionally, we recommend DCFS evaluate its process for ensuring subsidy payments are consistent with executed agreements or changes are adequately documented prior to paying adoption subsidies and claiming payments for federal reimbursement.

Views of DCFS Officials:

The Department agrees with the recommendations and has implemented procedures to assure that the subsidy rate amounts are in agreement with the approved subsidy amounts. The internal verification form (CFS 1800P) is used to ensure that the ongoing subsidy payment amount is verified and approved. The review process, including a check of supporting documentation, is completed prior to the finalization of the Adoption by the Federal Participation Unit.

 (Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $6,207

Finding 2017-027 – Missing Documentation in Adoption Assistance Eligibility Files

Condition Found:

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. In order to be eligible to receive benefits under the adoption assistance program, certain judicial determinations must be made and other eligibility criteria must be evaluated. Evidence supporting eligibility determinations were performed is required to be maintained in the beneficiary case record.

During our testwork of 50 Adoption Assistance beneficiary payments (totaling $30,364), we noted the following:

- For one adoption assistance payment (totaling $1,147), DCFS could not locate documentation evidencing the child over 18 was participating in one of the prescribed eligible activities or that he was incapable of doing the activities due to a medical condition. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling $15,240 during the year ended June 30, 2017.
- For four adoption assistance payments (totaling $1,773), DCFS could not locate the CANTS and/or SOR background checks for at least one adoptive parent or member of the household over the age of 13. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $21,276 during the year ended June 30, 2017.
- For one adoption assistance payment (totaling $471), the dispositional court order that sanctioned the child's removal from the home contained contradicting evidence as to whether or not the child's continuation in the home would be contrary to the health, welfare, and safety of the child. Additionally, the dispositional court transcript could not be obtained to clarify which contrary to the welfare determination applied. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling $5,652 during the year ended June 30, 2017.
- For one adoption assistance payment (totaling $1,185), the termination hearing order used to evidence the child could not or should not be returned to the home of his parent(s) did not include documentation supporting the mother's parental rights were terminated. Additionally, the termination hearing order transcript could not be obtained to clarify if the mother's parental rights were in fact terminated. DCFS

claimed reimbursement for adoption assistance benefits made on behalf of this child totaling $14,217 during the year ended June 30, 2017.

- For two adoption assistance payments (totaling $1,631), DCFS could not locate documentation evidencing the child was eligible, or would have been eligible, for the former AFDC program by meeting the State-established standard of need as of July 16, 1996 in the month he was removed from the home of his parents. Specifically, the income calculation for the household the child was removed from was inaccurate based on information documented in the files. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $33,474 during the year ended June 30, 2017.

As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, we noted case record documentation is maintained in several locations, including with third party contractors, and can be difficult for DCFS to locate. Additionally, adequate monitoring controls have not been established to ensure eligibility requirements were met and adequately documented in accordance with established procedures.

Criteria or Requirement:

According to 42 USC 673(a)(2)(a), certain requirements must be met in order for a child to be considered eligible for adoption assistance payments. For a "non-applicable child," the child 1) must have been removed from the home of a relative specified in section 606(a) (such that the child was eligible, or would have been eligible, for the former AFDC program by meeting the State-established standard of need as of July 16, 1996) and placed in foster care either pursuant to a voluntary placement agreement or a judicial determination that remaining in the home is contrary to the welfare of the child, 2) is eligible for SSI benefits, or 3) is a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made with respect to the minor parent of the child. Additionally, the "non-applicable child" must have been determined by the State to be a child with special needs.

According to 42 USC 673(c)(1), a child is considered to have special needs if the State has determined the child cannot or should not be returned to the home of his parents.

According to 42 USC 675(8)(B), at the option of the State, a child is considered an individual who has not attained 19, 20, or 21 years of age, and who is 1) completing secondary education or a program leading to an equivalent credential; 2) enrolled in an institution which provides post-secondary or vocational education; 3) participating in a program or activity designed to promote, or remove barriers to, employment; 4) employed at least 80 hours per month; or 5) incapable of doing any of the previously described activities due to a medical condition, and the incapability is supported by regularly updated information in the case plan of the child.

According to 42 USC 671(a)(20), in order for the State to be eligible for payments, it shall have a plan approved by the Secretary that provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases for any prospective adoptive parent. Additionally, the State plan must provide procedures such that the State shall check the child abuse and neglect registry maintained by the State for any prospective adoptive parent and on any other adult living in the home of such prospective parent.

According to 89 Ill. Adm. Code Chapter III, Subchapter d, Part 385.30, the following people are subject to background checks: 1) adult members of the household age 18 and older shall be fingerprinted to be screened for prior criminal convictions by submitting fingerprints to the Federal Bureau of Investigation (FBI), and 2) all members of the household age 13 and over shall be screened for a history of child abuse or neglect (CANTS) and for inclusion in the Illinois Sex Offender Registry (SOR).

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure all required judicial determinations, relevant documentation to support the eligibility of children, and background checks for prospective adoptive parents and applicable members of the household are properly obtained and maintained within case records.

Cause:

In discussing these conditions with DCFS officials, they stated documentation could not be located due to filing errors of employees. DCFS also stated that eligibility determinations are made based on the entirety of the information available when the determination is made.

Possible Asserted Effect:

Failure to maintain case file documentation, including judicial determinations, relevant documentation to support the eligibility of children, and evidence of required background checks for prospective adoptive parents and applicable members of the household, could result in payments to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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. Additionally, we recommend DCFS evaluate its process for verifying eligibility requirements are met and adequately documented and implement additional procedures to ensure established procedures are followed.

Views of DCFS Officials:

The Department agrees with the auditor's recommendation. The cases cited where documentation could not be located were from older case files (calendar years 2000 and 2012). The Department has made improvements in its review of case eligibility files to ensure documentation is adequate to support its eligibility determinations. The Department continues to routinely evaluate its processes and procedures to ensure that eligibility requirements are met and that documentation is maintained to support the federal reimbursement claim. The Department will continue to ensure staff determining eligibility is knowledgeable in the federal eligibility requirements.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $5,138

Finding 2017-028 – *Failure to Ensure Adoption Assistance Recertifications are Performed on a Timely Basis*

Condition Found:
DCFS did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. A child's eligibility for the program is determined initially at the time of adoption proceedings. However, it is the State's responsibility to establish a process to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s). On an annual basis, the State sends a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments. The form contains a series of questions concerning the parents' legal and financial responsibility of the child. The adoptive parent(s) must answer the questions, sign and return the form to DCFS to demonstrate their continued legal and financial responsibility over the child.

During our testwork of 50 adoption assistance beneficiary payments (totaling $30,364), we noted the following exceptions:

- For two adoption assistance payments (totaling $3,499), DCFS could not locate a recertification form submitted by the adoptive parents within the most recent 12-month period. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $14,175 during the year ended June 30, 2017.
- For two adoption assistance payments (totaling $1,639), recertification forms submitted within the most recent 12-month period indicated the adoptive parents no longer remained legally and/or financially responsible for the child; however, DCFS continued to pay adoption assistance related to these cases. Payments made after the receipt of the certifications totaled $19,667 for these cases. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $19,395 during the year ended June 30, 2017.

Additionally, we noted DCFS has not established adequate control procedures to monitor whether required certifications are obtained and included in its case record files. DCFS also does not have adequate procedures to ensure case records are updated for eligibility changes reported in annual certifications by adoptive parents.

Adoption subsidies paid during the year ended June 30, 2017 totaled $61,270,000.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 673(a)(4), payments are discontinued when the state determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the state agency informed of circumstances that would make the child ineligible for adoption assistance payments or eligible for assistance payments in a different amount.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to obtain adoption recertification forms on a timely basis and to monitor whether required certifications have been obtained and included in the case record.

Cause:

In discussing these conditions with DCFS officials, they stated responses are not always received from adoptive families when requested. The Department also stated that staff did not follow procedures to update the payment unit when the recertifications were received indicating the adoptive parent no longer remained legally responsible for the youth.

Possible Asserted Effect:

Failure to obtain, retain, and process changes reported on eligibility recertification forms may result in payments to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-031. (Finding Code 2017-028, 2016-031)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure recertification forms are received in accordance with the State's established process and maintained in the eligibility files for children receiving adoption assistance benefits. Additionally, we recommend DCFS implement procedures to ensure case records and benefit payments are updated for any information reported on the recertification form that impacts eligibility.

Views of DCFS Officials:

The Department agrees with the auditor's recommendation. The Department will evaluate its procedures to ensure youth are still in care of the adoptive parents that receive post adoption subsidy payments. The Department will work to ensure procedures are followed so payments are not made to parents who are no longer eligible to receive them.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-029 – *Inadequate Process for Preparing Title IV-E Financial Reports*

Condition Found:

DCFS did not prepare accurate financial reports for the Foster Care and Adoption Assistance programs.

DCFS is required to prepare and submit quarterly financial reports (CB-496) for the Foster Care and Adoption Assistance programs, which includes information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports.

During our testwork over the 9/30/16 and 3/31/17 Foster Care and Adoption Assistance CB-496 reports submitted during the year ended June 30, 2017, we noted reported amounts in certain line items did not agree to supporting documentation provided by DCFS. Specifically, we noted the following differences in our testing:

CB-496 Quarter Ended	Part 1 Report Line Item	Current Qtr Claims Fed Share Reported	Current Qtr Claims Fed Share Actual	Variance
3/31/2017	7. In-Placement Administrative Costs – Provider Management	$ 266,045	$ 275,295	$ 9,250
3/31/2017	8. In-Placement Administrative Costs – Agency Management	$ 976,639	$ 986,054	$ 9,415
3/31/2017	10b. Sex Trafficking Administrative Costs	$ 207,739	$ 395,717	$ 187,978
3/31/2017	17. Demonstration Project Costs – From Part 3	$ 29,788,429	$ 29,795,597	$ 7,168

In evaluating DCFS's reporting process for the CB-496 financial report, we noted DCFS has not implemented adequate internal controls to ensure reports prepared by DCFS personnel are accurate.

Specifically, we noted DCFS does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are consistent with current program activities.

Criteria or Requirement:

According to the Administration for Children and Families instructions for completion of Form CB-496, each State with an approved title IV-E plan to administer the Foster Care and Adoption Assistance programs under title IV-E of the Social Security Act is required to complete the title IV-E quarterly financial report Form CB-496. Furthermore, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure financial information reported in required financial reports is accurate prior to submission.

Cause:

In discussing these conditions with DCFS officials, they stated the Department did not have time to make and test all system change requirements prior to the deadline for reporting for the quarter ending March 31, 2017 and as such were not able to identify and correct all issues until after the required report filing date.

Possible Asserted Effect:

Failure to accurately prepare financial reports prevents the USDHHS from effectively monitoring the Foster Care and Adoption Assistance programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-029)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS review its procedures to prepare financial reports required for the Foster Care and Adoption Assistance programs and continue to implement changes as necessary to ensure the reports agree or reconcile to its financial records.

Views of DCFS Officials:

The Department agrees with this finding and has already implemented this recommendation. Due to changes from the IB3 Title IV-E Foster Care Demonstration Waiver to a Flex Funding Capped Allocation Waiver executed on January 17, 2017, the Department did not have time to make all required system changes prior to the filing deadline for the quarter ended March 31, 2017. The Department submitted that report with the best information available at the time of submission, knowing that there were defects included in that information. The Department tracked these defects and later corrected the data.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-030 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

DCFS did not accurately report Federal expenditures under its major programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to DCFS's financial records. Specifically, we noted the following difference for the year ended June 30, 2017:

Program	Federal Expenditures per DCFS's Records	Federal Expenditures Reported to the IOC	Difference
Adoption Assistance	$80,336,000	$80,581,000	$245,000

Upon further investigation, we noted the differences identified in the table relate to prior period adjustments to receivables which should not be reflected in current year cash basis expenditures. Although the difference identified is not quantitatively material to the SEFA, as a whole, the State does not have a process in place to evaluate items of this nature outside the audit process, as discussed in finding 2017-001. Accordingly, any error which may be material to the SEFA (in quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

 (Continued)

Cause:

In discussing these conditions with DCFS officials, they stated the difference was a result of netting prior period adjustments against cash basis expenditures to correct federal receivables.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-030)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Views of DCFS Officials:

The Department agrees with the recommendation. The Department will review procedures to ensure federal expenditures are accurately reported.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance
Temporary Assistance for Needy Families Cluster

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)
93.558 ($572,345,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-031 – _Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs_

Condition Found:

DCFS did not use the correct fringe benefit rates when allocating costs through the Public Assistance Cost Allocation Plan (PACAP).

DCFS administers several federal and state programs, including Foster Care, Adoption Assistance, and TANF Emergency Assistance (EA), to protect children by strengthening and supporting families. In administering each of these programs, DCFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, DCFS has submitted a PACAP to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies by DCFS. DCFS has developed the methodologies for allocating costs to its programs, which DCFS believes best represent the actual costs associated with the program.

During our review of 25 employee payroll expenditures (totaling $94,260) and related fringe benefit charges (totaling $56,159) allocated to DCFS' federal programs during the year ended June 30, 2017, we noted fringe benefits charged were not consistent with rates approved by DCMS and the State Employees Retirement Systems (SERS). Specifically, we noted the following errors:

- The dental insurance fringe benefit charge for one employee was less than the approved semi-monthly rate established by DCMS. Specifically, we noted the approved rate was $22.03 and the rate allocated was $11.07, which resulted in costs of $10.96 not being allocated for the employee sampled. Upon further review, we noted dental insurance fringe benefit rates were inaccurately used for a total of 10 transactions, resulting in undercharges of $109.60. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were undercharged by $25, $5, and $49, respectively, during the year ended June 30, 2017.

- The retirement fringe benefit charges for two employees during the lapse period (pay period June 16-30, 2016) were calculated using a lower percentage than the approved percentage established by SERS. Specifically, we noted the approved retirement percentage was 45.598% and the percentage utilized was 44.568%, which resulted in costs of $98.81 not being allocated for the two employees sampled. Upon further review, we noted the retirement fringe benefit rate was improperly used for 2,608 transactions resulting in undercharges of $141,254. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were undercharged by $32,522, $6,956, and $63,762, respectively, during the year ended June 30, 2017.

Additionally, we noted DCFS did not have adequate procedures in place to verify the rates allocated through the PACAP were accurate and consistent with the approved DCMS and SERS rates.

Total personal services (payroll and fringe benefits) costs allocated through the PACAP for the year ended June 30, 2017 for Foster Care, Adoption Assistance, and TANF EA were $53,998,000, $8,260,000, and $153,293,000, respectively.

Criteria or Requirement:

According to 45 CFR 95.507(a), the State shall submit a cost allocation plan for the State agency to the HHS Regional Office, and the plan shall describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency.

Additionally, according to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based upon established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits.

2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure approved fringe benefits are charged.

Cause:

In discussing these conditions with DCFS officials, they stated the errors were the result of a data input error. Additionally, the new retirement rates were entered before the lapse period payroll cycle was complete.

Possible Asserted Effect:

Failure to update fringe benefit charges for annual changes may result in the unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-031)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure fringe benefit rates in the payroll system, which are subsequently allocated through the PACAP, are consistent with those approved by DCMS and SERS.

Views of DCFS Officials:

The Department accepts this recommendation. The Department will review its procedures related to updating appropriate retirement rates to ensure rates are not changed in the system until lapse period payroll is completed. The Department will also review its procedures concerning accurate entry of fringe benefit rates of its employees.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-032 – Inadequate Controls over Information Systems

Condition Found:

DCFS does not have adequate access review controls over information systems used to document beneficiary eligibility determinations, to record program expenditures, and to identify amounts to be claimed under federal programs.

DCFS utilizes a federal claiming system to determine which expenditures can be claimed under the various federal programs. The system queries the general ledger and eligibility database in order to match expenditures to a beneficiary. Based on the eligibility of the beneficiary, the expenditure is further analyzed by the claiming system for allowability under the federal program for which the beneficiary is eligible. The claiming system applies the applicable eligibility percentage to the expenditure established for the program. Reports generated from the system are used to calculate the amount of expenditures claimable for federal reimbursement and to prepare the quarterly claim reports.

During our testwork of DCFS' controls over user access to the federal claiming system applications, we noted the following exceptions:

- Five terminated users still appeared on the active user listing for Windows and four terminated users still appeared on the active user listing for the mainframe. There were 244 terminated users during the year ended June 30, 2017.
- One semi-annual review of user access rights out of five selected for testing was not reviewed by a data steward during the year ended June 30, 2017. Additionally, we noted DCFS has not established procedures to monitor whether data stewards complete access reviews in accordance with established procedures.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with

the administration of the federal programs are adequately secured, system access rights are appropriate, and established access review controls are operating as designed.

Cause:

In discussing these conditions with DCFS officials, they stated the individuals performing this function did not understand the importance of the access reviews and failed to put the proper priority on completing this task.

Possible Asserted Effect:

Failure to adequately control the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure: (1) access to its information systems is adequately secured; (2) terminated users are removed from applications in a timely manner and (3) system access rights are periodically reviewed for appropriateness. We also recommend DCFS implement monitoring procedures to ensure reviews are performed and documented by data stewards in accordance with established procedures.

Views of DCFS Officials:

The Department agrees with the finding and has implemented procedures to address the auditor recommendations. Automated weekly separation reports will be used to verify that access rights for terminated employees have been removed on a timely basis. An automated monitoring process will be implemented to automatically send periodic access reviews to data stewards to ensure the reviews are performed timely and supported by adequate documentation.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-033 – *Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement*

Condition Found:

DCFS did not perform its cash draws in accordance with the funding technique prescribed in the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury details, among other things, the funding techniques to be used for requesting federal funds). The TSA requires DCFS to draw funds in monthly installments (for receipt on the median business day of the month) equal to 1/3rd of the quarterly grant awards for the Foster Care and Adoption Assistance programs.

During our testwork over monthly cash draws performed for the Foster Care and Adoption Assistance programs during the year ended June 30, 2017, we noted 10 draws for each program in which funds were not drawn for receipt on the median business day of the month. These draws were performed on dates such that the Federal funds would be deposited between 14 days prior to and 2 days subsequent to the median business day of the month during the year ended June 30, 2017. Specifically, DCFS did not perform cash draws timely for the following months:

Month	Median Business Day (MBD)	Date Requested by DCFS on PMS	Expected Settlement Date	Number of Days (Prior to) or Subsequent to MBD
July	7/15/16	7/12/16	7/13/16	(2)
August	8/15/16	7/29/16	8/1/16	(14)
September	9/15/16	9/1/16	9/2/16	(13)
October	10/17/16	10/12/16	10/13/16	(4)
November	11/15/16	11/9/16	11/10/16	(5)
December	12/15/16	12/8/16	12/9/16	(6)

(Continued)

Month	Median Business Day (MBD)	Date Requested by DCFS on PMS	Expected Settlement Date	Number of Days (Prior to) or Subsequent to MBD
February	2/15/17	2/9/17	2/10/17	(5)
March	3/15/17	3/10/17	3/13/17	(2)
April	4/17/17	4/18/17	4/19/17	2
June	6/15/17	6/15/17	6/16/17	1

Criteria or Requirement:

According to 31 CFR part 205.6(a), a TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Treasury and the State for each Federal program governed by subpart A of the Treasury regulations. Section 6.3.2 of the 2017 Treasury State Agreement (effective July 1, 2016 to June 30, 2017) states that the Foster Care and Adoption Assistance programs are required to use the Modified Payment Schedule – Monthly funding technique. Section 6.2.4 of the 2017 Treasury State Agreement describes the Modified Payment Schedule – Monthly funding technique as being interest neutral and requiring the State to request funds such that they are deposited in a State account on the median business day of the month.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure that Federal cash draws are performed in accordance with the TSA.

Cause:

In discussing these conditions with DCFS officials, they stated the timing of available resources caused the target of the median business day of the month to be missed.

Possible Asserted Effect:

Failure to draw funds in accordance with the TSA results in noncompliance with U.S. Treasury Regulations.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA or amend the TSA to reflect DCFS' cash draw request practices.

Views of DCFS Officials:

The Department agrees with this finding and has updated procedures to request monthly federal draws in accordance with the negotiated Treasury-State Agreement.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($194,356,000)
93.659 ($80,581,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-034 – *Inadequate Process for Reconciling Cash Balances to IOC's Records*

Condition Found:

DCFS does not have an adequate process to reconcile its cash balances in a timely manner to the records of the Illinois Office of the Comptroller (IOC).

DCFS is the state agency responsible for expending program funds and requesting federal cash reimbursement for expenditures under the Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs. The IOC is the official record keeper of the State and is responsible for paying vouchers processed by DCFS and other state agencies. DCFS is required to reconcile its records to the IOC records on a monthly basis and resolve any reconciling items on a timely basis.

During our testwork over the monthly cash reconciliation process, we noted DCFS did not reconcile its cash balances to the IOC's records on a monthly basis during the year ended June 30, 2017. Specifically, we noted none of the monthly reconciliations were performed during the year. Upon further review, we noted all 12 monthly reconciliations were performed subsequent to year-end.

Criteria or Requirement:

Part 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure that cash reconciliations are properly performed on a monthly basis during the year.

Cause:

In discussing these conditions with DCFS officials, they stated a combination of personnel vacancies, limitations of the accounting systems used and Department oversight allowed for this deficiency to occur.

Possible Asserted Effect:

Failure to appropriately reconcile cash records in a timely manner may result in inaccurate financial reporting and drawing federal funds in excess of expenditures incurred.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure cash reconciliations are performed on a monthly basis throughout the year.

Views of DCFS Officials:

The Department agrees with the recommendation. The Department is reviewing its reconciliation procedures and is developing new procedures to ensure proper reconciliations are performed on a monthly basis. The Department will also ensure employees are properly trained to ensure reconciliations are done correctly.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Stephanie Tubbs Jones Child Welfare Services Program

CFDA # and Program Expenditures: 93.645 ($9,936,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-035 – *Failure to Ensure Timely Preparation of Initial Case Plans*

Condition Found:

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS' plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS' plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information.

During a review of 40 case files selected for testwork, we noted three of the initial case plans were completed within a range of 10 to 31 days over the 60-day federal requirement, and seven of the initial case plans were completed within a range of 4 to 46 days over the 45-day State requirement.

Criteria or Requirement:

According to 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. According to State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable time frame as 45 days.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure initial service plans are completed in a timely manner.

Cause:

In discussing these conditions with DCFS officials, they stated numerous outside factors can influence the timely completion of case plans. Staff changes and reductions, placement changes, and coordination with other internal agency procedures can cause delays in the completion of case plans.

 (Continued)

Possible Asserted Effect:

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-036. (Finding Code 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)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal and State requirements.

Views of DCFS Officials:

The Department agrees with the recommendation. The Department completed statewide training of policies and procedures related to permanency in late 2017. The same training components were added to the core training curriculum for new hire permanency caseworker staff. The training focuses on the state and federal requirements with an emphasis on the positive impact of timely service plan completion. Additionally, each region has devised regional plans to reinforce training with existing staff about the completion of timely service plans and identify any barriers to such.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Immunization Cooperative Agreements

CFDA # and Program Expenditures: 93.268 ($95,446,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-036 – *Inaccurate Reporting of Federal Expenditure Information*

Condition Found:

IDPH did not accurately report Federal expenditure information under the Immunization Cooperative Agreements (Immunization) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDPH's financial records. Specifically, we noted the following difference for the year ended June 30, 2017:

Program	Amounts per IDPH's Records	Amounts Reported to the IOC	Difference
Immunization (federal expenditures)	$95,502,000	$95,446,000	$56,000

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

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

 (Continued)

Cause:

In discussing these conditions with IDPH officials, they stated the error occurred with staff inadvertently omitting some expenditures. Due to the lack of staff, a timely review was not performed to ensure accuracy of the report.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-040. (Finding Code 2017-036, 2016-040)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH establish procedures to accurately report federal expenditures (including amounts passed through to subrecipients) used to prepare the SEFA to the IOC.

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. IDPH is continuing to work on establishing procedures for the timely and complete reporting of federal expenditures including amounts passed through to subrecipients.

(Continued)

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-037 – *Failure to Investigate Provider Complaints within Required Timeframes*

Condition Found:

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required time frames.

The Office of Health Care Regulation within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care Regulation to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within seven days of receipt. As the time frames for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State time frames are required to be followed.

During our testwork of 40 complaints filed against Medicaid providers during the year ended June 30, 2017, we identified 4 complaints that were not investigated within the time frames required by the State's law. The delays in investigating these complaints ranged from 1 to 17 days in excess of required time frames.

Criteria or Requirement:

According to Section 5010 of the Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are at least as stringent as those included in federal regulations. Additionally, the Nursing Home Care Act (210 ILCS 45/3-702(d)) requires complaints to be investigated within 30 days of receipt. Complaints of abuse or neglect are required to be investigated within 7 days of receipt.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure provider complaints are investigated within required timeframes.

(Continued)

Cause:

In discussing these conditions with IDPH officials, they stated the error cases were the result of staff turnover and shortage of experienced surveyors and supervisory staff.

Possible Asserted Effect:

Failure to investigate complaints against Medicaid providers within required time frames may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2016-038. (Finding Code 2017-037, 2016-038, 2015-034, 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. Within the last eight months, 17 new Health Facilities Surveillance Nurse (HFSN) surveyor have been hired for this office; one resigned less than 90 days after being hired. However, until any HFSN has completed both State and Federal Surveyor training and successfully completed the federal Surveyor's Minimum Qualifications Test (SMQT), they are not allowed to conduct surveys independently. Federal CMS has not conducted training or the SMQT since June or July, 2017. This is due to their focus on implementation nationwide of a new LTC survey process. While an online pilot training course is in the process of being developed, this Department has not received communication with approval to enroll new hires. As a result, having new employees may not result in a survey being conducted timely if an SMQT qualified surveyor is not available to accompany the new hire.

The Department will hire additional staff within budgetary guidelines to investigate complaints of abuse and neglect to meet the required state and federal timeframes.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($10,176,779,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-038 – *Inadequate Procedures to Verify Provider Licenses*

Condition Found:

IDPH does not have adequate procedures to verify medical providers are properly licensed in accordance with applicable State laws.

During our testwork over the licensing of 49 providers of the Medicaid Cluster program for the year ended June 30, 2017, we noted licenses were not on file for five providers sampled. Upon further review with IDPH personnel, we noted these providers were end-stage renal disease facilities. The Centers for Medicare and Medicaid Services (CMS) State Operations Manual for End-Stage Renal Disease Facilities section 405.2135 requires these facilities to be licensed if State law provides for the licensure of such facilities. The Illinois End-Stage Renal Disease (ESRD) Facility Act (210 ILCS 62/10) states that no person shall open, manage, conduct, offer, maintain, or advertise an end-stage renal disease facility without a valid license issued by the State.

Payments to these providers under the Medicaid Cluster totaled $3,111,097,740 during the year ended June 30, 2017. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled $10,844,353 during the year ended June 30, 2017.

Criteria or Requirement:

According to 42 CFR 455.412, IDPH is required to have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State and to confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

Cause:

In discussing these conditions with IDPH officials, they stated the Advisory Committee has experienced difficulties meeting and the Division of Health Care Facilities and Programs has experienced turnover which have resulted in the delay in implementing licensing requirements..

Possible Asserted Effect:

Failure to verify that providers have met the State licensing requirements directly with licensing agencies inhibits the State's ability to determine provider eligibility and could result in payments being made to ineligible providers, which are unallowable.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. The Department considered the value of continuing with rulemaking and proposes IDPH will seek repeal of the Act. Also Pursuant to P.A. 99-370 (HB 3887), the Department has reviewed the Act and proposed agency's rules, administrative regulations, and permitting processes for End Stage Renal Disease Facilities as they pertain to small businesses and has determined that the approval and implementation of these rules, regulations, and processes would be unreasonable, unduly burdensome, or duplicative, to small businesses. Proposed legislation HB5069 (attached) seeks to repeal the End Stage Renal Disease Facility Act.

Currently Medicare-certified ESRD providers are surveyed for compliance with federal regulations by the Department which serves as the State Survey Agency per contract with the Centers for Medicare and Medicaid Services (CMS). Further, for federal fiscal years 2016 and 2017 the Department has met the CMS State Performance Measures for completion of non-nursing home surveys which includes ESRD providers.

Actions will be taken based on outcome of proposed legislation**.**

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Social Services Block Grant
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.667 ($50,943,000)
93.917 ($35,552,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2017-039 – *Failure to Obtain and Review Subrecipient Single Audit Reports*

Condition Found:

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.

IDPH requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDPH finance staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDPH records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

During our testwork, we noted IDPH passed through approximately $2.8 million and $8.4 million to subrecipients under the Title XX and HIV Care programs. Upon further review, we determined that single audit reports had not been obtained or reviewed for any HIV Care subrecipients during the year ended June 30, 2017.

Subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	Percentage
Title XX	$2,810,000	$50,943,000	5.5%
HIV Care	$8,422,000	$35,552,000	23.7%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

 (Continued)

Further, 2 CFR 200.521 states that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients' single audits, (2) subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Uniform Guidance, including that the audits are completed within nine months after the end of the subrecipients fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after receipts of the subrecipients' audit reports.

Cause:

In discussing these conditions with IDPH officials, they stated IDPH had a shortage of qualified audit staff within the department and delay in the implementation of a statewide sub-recipient review process through the Grants Accountability and Transparency Act (GATA) has impeded the ability to fully meet these requirements.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2016-037. (Finding Code 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)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH establish procedures to ensure 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 IDPH records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years.

(Continued)

Views of IDPH Officials:

IDPH concurs with the finding and recommendation. IDPH, like other State agencies, lack qualified audit staff to review single audits. As a result, the State of Illinois' Grant Accountability and Transparency Unit 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 decisions where necessary.

 (Continued)

State Agency: Illinois Department of Insurance (IDOI)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges

CFDA # and Program Expenditures: 93.525 ($5,850,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-040 – *Failure to Draw Funds Only for Immediate Cash Needs*

Condition Found:

IDOI did not minimize time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 15 expenditures (totaling $1,052,892) funded under the advance basis related to the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (ACA Exchanges) program, we noted warrants were not issued for 7 expenditure vouchers (totaling $670,839) within three business days of receiving federal funds to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 5 to 22 business days.

Total contractual service expenditures for the ACA Exchanges program administered by IDOI were $4,832,158 during the year ended June 30, 2017.

Criteria or Requirement:

According to 45 CFR 92.21(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than $72,621,000 in expenditures to follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State Agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Cause:

In discussing these conditions with IDOI officials, they stated the excess days noted were the result of expenditure and receipt processing being segregated across the Department, the State Treasurer, and the Comptroller's Office. Additionally, other factors such as staffing turnover and holidays have also contributed to the delays in processing.

Possible Asserted Effect:

Failure to draw and disburse federal funds in accordance with program regulations results in noncompliance with federal Treasury regulations and may result in additional oversight of cash management procedures by federal agencies.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-041. (Finding code 2017-040, 2016-041, 2015-040, 2014-037).

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOI implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

Views of IDOI Officials:

The Department accepts this finding. All ACA Exchange grant expenditures are processed through the Department's Treasury Held Federal Trust Fund, which operates as a clearing account with a normal fund balance of $0. Because the fund balance is normally $0, the Department must draw down the federal grant funds before proceeding with processing expenditures, and due to the receipt and expenditure process being segregated across the Department, the State Treasurer, and the State Comptroller, delays between the drawdown and expenditure of funds occur. The Department has not incurred any interest liability to the federal government as a result of these delays and we will work to continue to make improvements in reducing the time between the drawdown and expenditure of federal funds. The Department is unable to take any additional steps to further mitigate these delays because the issuing of warrants is solely within the purview of the Comptroller's Office.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
School Improvement Grants

CFDA # and Program Expenditures: 84.010 ($687,800,000)
84.027/84.173 ($522,222,000)
84.287 ($43,825,000)
84.367 ($96,759,000)
84.377 ($36,133,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-041 – *<u>Inadequate Monitoring of Subrecipients</u>*

Condition Found:

ISBE did not perform adequate on-site subrecipient monitoring procedures for the Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants (SIG) programs.

ISBE selects subrecipients of certain USDE programs to perform on-site fiscal and administrative monitoring procedures using a risk based approach. These risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity. Once the subrecipients are selected, ISBE selects programs and individual locations within each subrecipient for additional reviews which may consist of on-site reviews, desk reviews, or analytical procedures.

During our testing, we noted one subrecipient common across all Education programs which represented the single largest subrecipient for each program. As we reviewed the monitoring procedures performed for this subrecipient, we noted the procedures performed were limited to on-site review of the central district office and reviews of individual schools which consisted of 15 on-site reviews, 6 desk reviews, and 397 analytical reviews. ISBE management was not able to provide documentation supporting the rationale for how they determined which schools to monitor and indicated there were limited resources to monitor this subrecipient. Given the significance of this individual subrecipient and the fact that it operates in excess of 600 individual schools, we would expect ISBE to establish and formally document its approach for selecting locations for its monitoring procedures.

Expenditures to this subrecipient under the above referenced USDE programs were as follows:

Program Name	Expenditures for Individually Significant Subrecipient	Amounts Passed-Through to All Subrecipients	Percentage
Title I	$307,289,000	$671,891,000	45.7%
Special Education	96,626,000	511,587,000	18.9%
21st Century	6,774,000	42,139,000	16.1%
Title II	43,452,000	94,888,000	45.8%
SIG	12,224,000	35,127,000	34.8%

In addition, we noted the on-site review procedures performed during fiscal year 2017 as a result of this risk assessment process included general fiscal and administrative requirements, specific programmatic requirements for the Title I, Title II, and Careers and Technical Education federal programs, and select requirements for certain state funded awards. Accordingly, requirements pertaining to the IDEA and 21st Century were not necessarily reviewed in connection with this risk assessment process. In reviewing procedures used for the IDEA and 21st Century, we noted the following:

- A risk assessment was not performed for the IDEA program and programmatic requirements were not reviewed for subrecipients during the year ended June 30, 2017.
- A separate risk assessment was performed for 21st Century; however, ISBE did not review any of the subrecipients identified as high risk during the year ended June 30, 2017.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program Name	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	Percentage
Title I	$671,891,000	$687,800,000	97.7%
Special Education	511,587,000	522,222,000	98.0%
21st Century	42,139,000	43,825,000	96.2%
Title II	94,888,000	96,759,000	98.1%
SIG	35,127,000	36,133,000	97.2%

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. According to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring adequate monitoring procedures are performed for subrecipients, including those determined to be individually significant.

Cause:

In discussing these conditions with ISBE officials, they stated monitoring procedures have been impacted by staffing constraints and competing responsibilities.

Possible Asserted Effect:

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding:

A similar finding was not reported in prior year audit. (Finding Code 2017-041)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE review its monitoring procedures relative to individually significant subrecipients and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs. Additionally, we recommend ISBE review its risk assessment procedures to ensure compliance with the Uniform Guidance.

Views of ISBE Officials:

The Agency agress with the finding.

Federal and State Monitoring: While a rationale was used for selecting which schools to include as part of the monitoring visit, the rationale was not adequately documented. ISBE will ensure adequate documentation of the selection rationale is included in the monitoring working papers going forward.

IDEA: Special Education Services is developing a risk assessment for special education programs to be implemented as part of programmatic monitoring during the 2018-2019 school year.

21st Century: The 21st Century Community Learning Centers (21st CCLC) program has recently transitioned to the division of Regulatory Support and Wellness. Staff are aware of monitoring procedures and requirements within this program and the division has a process in place to ensure adequate monitoring of 21st CCLC sub-recipients for future program years.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants
School Improvement Grants Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($689,417,000)
10.558 ($145,625,000)
84.010 ($687,800,000)
84.027/84.173 ($522,222,000)
84.048 ($39,846,000)
84.287 ($43,825,000)
84.367 ($96,759,000)
84.377 ($36,133,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-042 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

ISBE did not obtain and adequately review single audit reports received from its subrecipients for the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Career and Technical Education – Basic Grants to States (CTE), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants Cluster (SIG) programs on a timely basis. Additionally, ISBE does not have a formal process in place to ensure audit reports are received on a timely basis in order to issue a management decision within the required timeframe.

Subrecipients who spend more than $750,000 in federal awards are required to submit a single audit report to ISBE. ISBE Program staff are responsible for reviewing these reports and issuing management decisions on any finding applicable to ISBE programs noted in the subrecipient reports. A desk review checklist is used to document the review of the subrecipients' single audit reports.

During our review of a sample of 65 subrecipient single audit desk review files (sampled from each of ISBE's major programs and the CTE program), we noted the following:

- ISBE did not obtain single audit reports in a timely manner for four subrecipients of the 21st Century, CNC, and CACFP programs. Specifically, we noted the reports were obtained from 198 to 288 days after they were filed with the Federal Audit Clearinghouse. Although none of these audit reports contained ISBE related program findings, ISBE does not have a process in place to ensure audit reports are received on a timely basis in order to issue a management decision within the required timeframe.
- ISBE did not obtain a single audit report for one subrecipient of the Title II and CTE programs. Upon further review, it was determined the subrecipient was not required to have a single audit; however, ISBE had not obtained a certification that an audit was not required from the subrecipient.
- ISBE did not issue a required management decision for one subrecipient.
- ISBE did not obtain a single audit report and issue a management decision within 6 months (180 days) for one subrecipient. The delay in obtaining the report and issuing a management decision was 64 days beyond the required timeframe. We also noted ISBE had only issued a management decision relative to one of the two findings reported for programs administered by ISBE.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	Percentage
CNC	$688,285,000	$689,417,000	99.8%
CACFP	145,359,000	145,625,000	99.8%
Title I	671,891,000	687,800,000	97.7%
Special Education	511,587,000	522,222,000	98.0%
CTE	38,961,000	39,846,000	97.8%
21st Century	42,139,000	43,825,000	96.2%
Title II	94,888,000	96,759,000	98.1%
SIG	35,127,000	36,133,000	97.2%

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. Additionally, according to 2 CFR section 200.521(d) states that a pass-through entity is required to issue a management decision on Federal award audit findings within six months of acceptance of the subrecipient's audit report by the FAC and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure Single Audit reports are reviewed in a timely manner and management decision letters are issued within required timeframes.

Cause:

In discussing these conditions with ISBE officials, they stated the delays in obtaining the reports and issuing management decisions were due to an oversight by staff.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue required management decisions within six months of acceptance of the audit report by the FAC results in noncompliance with federal regulations.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of ISBE Officials:

The Agency agrees with the finding. ISBE will evaluate and revise its process for processing single audit reports in accordance with statewide changes resulting from the Grant Accountability and Transparency Act. In addition, ISBE has modified the process for issuing management decision memos.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Special Education Cluster (IDEA)

CFDA # and Program Expenditures: 84.027/84.173 ($522,222,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-043 – *Failure to Obtain Certifications for IDEA Child Count*

Condition Found:

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.

On an annual basis, States must count and report the number of children with disabilities receiving special education and related services between October and December 1 to the USDE's Office of Special Education and Rehabilitative Services. States are required to obtain certifications from LEAs and other educational institutions that an unduplicated and accurate count of students with disabilities receiving special education services has been reported.

In preparing the annual report of children served under IDEA, ISBE collects special education student data from LEAs and educational institutions and aggregates the data from each district to determine the total State child count. During our testing of the annual IDEA child count, we noted ISBE had not obtained required certifications from the LEAs stating that the data submitted was accurate and unduplicated.

Criteria or Requirement:

According to 34 CFR section 300.640 and 300.641, States must count and report the number of children with disabilities receiving special education and related services between October 1 and December 1 of each year. Under 34 CFR section 300.643, this annual report of children served must include certification from an authorized State official that the child count is accurate and unduplicated.

In addition, 34 CFR section 300.645 requires the State to, among other things, obtain a certification from each LEA that an unduplicated and accurate count of the number of students with disabilities receiving special education services has been made.

Cause:

In discussing these conditions with ISBE officials, they stated the data collection process was not designed to include a certification at the LEA level.

 (Continued)

Possible Asserted Effect:

Special Education Cluster funds are awarded by the USDE based on a Federal Statutory formula, for which the number of children served is a factor. Failure to obtain required certifications may result in an inaccurate child count and inhibits the ability of USDE to properly award program funding.

Repeat Finding:

A similar finding was not reported in prior year audit. (Finding Code 2017-043)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE personnel implement procedures to obtain 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.

Views of ISBE Officials:

The Agency agrees with the finding. District level child count certifications will be developed, tested and integrated in the agency's special education data collection system, I-Star, for the 2018-19 school year.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($689,417,000)
10.558 ($145,625,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-044 – *Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients*

Condition Found:

ISBE did not perform adequate on-site monitoring procedures in accordance with its established plan for subrecipients of the Child Nutrition Cluster (CNC) and the Child and Adult Care Food Program (CACFP) programs.

USDA program regulations for the CNC and CACFP programs require ISBE to perform on-site fiscal and administrative monitoring procedures on a cyclical basis. For the CNC program, an administrative review of all school food authorities is required every three years (at a minimum). For the CACFP program, at least 1/3rd of all institutions must be reviewed on-site annually. Technical assistance and follow-up procedures for prior reviews are conducted based upon a risk-based approach in addition to the required cycle reviews each year for both programs.

During our review of the 66 CNC (25 from Summer Food Services and 41 from School Nutrition) and 41 CACFP subrecipients selected for testing, we noted ISBE did not perform a required on-site review for 1 subrecipient of the CNC School Nutrition program. Reviews were last performed for this subrecipient in 2014.

We also noted ISBE did not follow timeframes established in its on-site monitoring plan for communicating findings, collecting corrective action plans, and closing out monitoring files. Specifically, during our testwork of the 66 CNC and 41 CACFP subrecipients referenced above, we noted ISBE did not communicate findings for 25 reviews within 60 days of the completion of review procedures and did not close out 8 reviews within 60 days of receipt of the subrecipients' corrective action plan (CAP). Timeframes for completing these activities were as follows:

Number of Days	**Number of Subrecipients Receiving Untimely Notification of Findings**		**Number of Subrecipients Whose Monitoring Files Were Not Closed Timely**	
	CNC	**CACFP**	**CNC**	**CACFP**
61-90	3	4	3	2
91-120	5	4	1	–
121-150	2	4	–	–
151-180	1	2	–	1
180+	–	–	–	1

Additionally, for one CNC and three CACFP subrecipients, we noted the on-site review files were still open as of the conclusion of our testing (November 2, 2017) and ISBE had not received or obtained the corrective action plan for two of the three CACFP subrecipients.

We also noted the Nutrition and Wellness Division responsible for the monitoring for CNC and CACFP subrecipients did not have a process for settling exceptions identified by its monitoring procedures. Accordingly, ISBE has not adjusted payments to subrecipients for overpayments and underpayments identified in monitoring procedures performed in fiscal years 2014, 2015, and 2016. Total overpayments for the CNC and CACFP programs were $99,659 and $126,143, respectively. Total underpayments for the CNC and CACFP programs were $384 and $4,810, respectively.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program Name	**Total Fiscal Year 2017 Subrecipient Expenditures**	**Total Fiscal Year 2017 Program Expenditures**	**Percentage**
CNC	$688,285,000	$689,417,000	99.8%
CACFP	145,359,000	145, 625,000	99.8%

Criteria or Requirement:

According to 2 CFR sections 200.331(d) through (g), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, that performance goals are achieved, and consider whether the results of the subrecipient's audits or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Additionally, according to 2 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring adequate monitoring procedures are performed for subrecipients and the results of monitoring procedures are communicated and on-site review files are completed and closed out in a timely manner.

Cause:

In discussing these conditions with ISBE officials, they stated the Nutrition Division was understaffed due to competing responsibilities.

Possible Asserted Effect:

Failure to properly monitor subrecipients and communicate monitoring results may result in undetected noncompliance and subrecipients not properly administering Federal programs in accordance with laws, regulations, and grant agreements. Additionally, failure to collect overpayments identified in monitoring procedures results in unallowable costs and noncompliance with federal regulations.

Repeat Finding:

A similar finding was reported in prior year audit as Finding number 2016-049. (Finding Code 2017-044, 2016-049)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE review its monitoring procedures and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs. Additionally, we 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, including recoupment of overpayments identified in monitoring procedures performed.

Views of ISBE Officials:

The Agency agrees with the finding. Division hiring has improved from October 2017 through February 2018. The internal processing of reviews has been made more robust with the additional personnel hired during fiscal year 2018. Employees are now working with the system to follow up on reviews to meet program timelines. The National School Lunch Program monitoring program is scheduled to go-live during fiscal year 2018. The Web-based Illinois Nutrition System (WINS) continues to make performance improvements to process claims within the WINS system. The processing of claims within WINS is scheduled to go-live during fisal year 2018.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Child Nutrition Cluster

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($689,417,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-045 – *Failure to Properly Account for USDA Donated Foods*

Condition Found:

ISBE did not appropriately account for USDA Donated Foods related to the Child Nutrition Cluster program.

ISBE operates a food storage facility under the Child Nutrition Cluster program to receive, distribute, and maintain USDA donated food commodities. Program regulations require ISBE to maintain complete and accurate inventory records of the USDA donated food commodities, as well as, perform a physical inventory on an annual basis. ISBE uses a third party contractor to assist in operating the food storage facility and has established procedures to reconcile the records of its contractor and the USDA on a monthly basis. ISBE also performs an annual physical inventory to verify its records.

During our testwork over the February 2017 and June 2017 reconciliations, we noted the reconciliations contained unreconciled differences between ISBE's records and the contractor's records. Upon further review, we noted ISBE did not document reconciling items or the resolution of the differences for the remaining 10 reconciliations completed during the fiscal year. Unresolved differences between case counts identified on the monthly inventory reconciliations were as follows:

Month	ISBE Records	Contractor Records	Difference
July 2016	100,694	58,536	42,158
August 2016	124,141	106,469	17,672
September 2016	121,895	105,785	16,110
October 2016	133,402	123,384	10,018
November 2016	117,408	102,576	14,832
December 2016	121,326	109,233	12,093
January 2017	142,888	118,665	24,223
February 2017	145,893	133,856	12,037
March 2017	82,948	83,021	(73)
April 2017	12,435	12,508	(73)
May 2017	14,259	14,332	(73)
June 2017	62,037	63,008	(971)

 (Continued)

The dollar values of the differences between ISBE's records and the contractor's records ranged from ($27,757) to $1,408,518.

Additionally, the monthly reconciliation completed for June 2017 did not agree to the annual physical inventory records as of June 30, 2017. Specifically, we noted a difference between the physical inventory records and the monthly inventory reconciliation of 881 cases.

ISBE has not established adequate controls to ensure required reconciliations are completed in accordance with program requirements. Specifically, we noted there is not a supervisory review in place to ensure reconciliation data agrees to supporting documentation (physical inventory records) and that reconciling items are properly resolved and documented.

Criteria or Requirement:

According to 7 CFR sections 250.16(a)(6) and 250.15(c), distributing and subdistributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind.

According to 2 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure USDA Donated Foods are adequately inventoried, records updated, and properly reconciled to the general ledger. Documentation supporting reconciliations should include information about the nature of any reconciling differences.

Cause:

In discussing these conditions with ISBE officials, they stated unexpected turnover of key staff responsible for completing the reconciliation process led to spreadsheet errors and insufficient procedures to outline the reconciliation process.

Possible Asserted Effect:

Failure to appropriately account for USDA Donated Foods reports may result in unapproved and inaccurate reports being submitted to the federal awarding agency and may inhibit the ability of USDA to effectively monitor and evaluate the State's performance relative to the Child Nutrition Cluster program.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2016-051. (Finding Code 2017-045, 2016-051)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend ISBE personnel appropriately account for USDA Donated Foods for the Child Nutrition Cluster program. Additionally, adequate controls should be implemented to ensure differences between inventory records of ISBE and its contractor are researched, resolved, and adequately documented.

Views of ISBE Officials:

The Agency agrees with the finding. ISBE has written procedures and implemented controls to ensure differences between inventory records of ISBE and its contractor are researched, resolved, and adequately documented.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($689,417,000)
10.558 ($145,625,000)
84.010 ($687,800,000)
84.027/84.173 ($522,222,000)
84.287 ($43,825,000)
84.367 ($96,759,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-046 – *Inadequate Reporting of Federal Expenditures*

Condition Found:

ISBE did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (Special Education), Twenty-First Century Community Learning Centers (21st Century), and Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) did not agree to ISBE's financial records. Specifically, we noted the following differences for the year ended June 30, 2017:

Program	Federal Expenditures Reported in ISBE's Records	Federal Expenditures Initially Reported to the IOC	Difference
CNC	$690,112,000	$687,544,000	$2,568,000
CACFP	148,891,000	145,512,000	3,379,000
Title I	685,763,000	687,800,000	(2,037,000)
Special Education	522,091,000	522,202,000	(111,000)
21st Century	43,909,000	43,825,000	84,000
Title II	93,723,000	93,759,000	(36,000)

 (Continued)

In addition, we noted the following differences relative to amounts passed through to subrecipients for the ISBE's major programs, as follows:

Program	Amounts passed to Subrecipients Reported in ISBE's Records	Amounts passed to Subrecipients Initially Reported to the IOC	Difference
CNC	$688,727,000	$686,446,000	$2,281,000
CACFP	146,526,000	145,260,000	1,266,000
Special Education	508,026,000	511,587,000	(3,561,000)
Title II	91,911,000	91,900,000	11,000

Upon further investigation, we noted the differences identified in the tables above primarily relate to prior period adjustments to receivables and deferred revenue which should not be reflected in current year cash basis expenditures and amounts passed through to component units of the State of Illinois reporting entity. Although most of the differences identified in the tables above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process, as discussed in finding 2017-001. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

Cause:

In discussing these conditions with ISBE officials, they stated the errors are a result of the procedures by which information is required to be reported to the IOC.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Views of ISBE Officials:

The Agency 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, we 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.

(Continued)

State Agency: Illinois Community College Board (ICCB)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($39,846,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-047 – _Inadequate Risk Assessment of Subrecipients of the CTE Program_

Condition Found:

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

ICCB passed through approximately $16,440,000 of federal funding under the CTE program to 39 community colleges and 2 state universities (subrecipients) during the year ended June 30, 2017. ICCB is required to perform a risk assessment for each subrecipient to determine the appropriate monitoring procedures. During our audit, we noted the risk assessment performed by ICCB did not adequately address all potential risks related to its subrecipients and was not used to determine the monitoring procedures performed by ICCB.

Specifically, we noted ICCB's risk assessment was based on subrecipient responses to an internal control questionnaire submitted by each of its subrecipients to the Grant Accountability and Transparency Unit (GATU). This internal control questionnaire asks a variety of questions, including, among other things, the results of previous audits, levels of federal funding, and capabilities relative to administering federal funds. The results of these questionnaires were summarized by ICCB into six risk categories and were used to determine whether on-site monitoring or desk reviews would be performed.

During our review of the risk assessments performed for 3 subrecipients of the CTE program (with expenditures totaling $4,967,000), we noted the risk assessment procedures performed did not identify risks associated with these organizations. All three subrecipients sampled were determined to be low risk despite the fact two of the subrecipients have had recent publicity about matters suggesting noncompliance with administrative processes, as well as, significant leadership turnover. We also noted ICCB's risk assessment procedures only require on-site visits for subrecipients identified as high risk and the only criteria which results in a high risk assessment is if the subrecipient acts as pass through entity for the program.. Accordingly, ICCB determined that none of the 41 CTE subrecipients required an on-site monitoring visit as none were determined to be high risk based on the criteria.

However, in reviewing the monitoring actually conducted by ICCB during fiscal year 2017, we noted ICCB performed 22 on-site programmatic reviews and 6 fiscal desk reviews in fiscal year 2017 consistent with its previously established cyclical monitoring approach. Accordingly, while the risk assessment procedures were not adequate to identify higher risk subrecipients, it does not appear the risk assessment procedures performed were used to determine the monitoring to be performed.

Amounts passed thorough to subrecipients of the CTE program totaled $16,440,000 during the year ended June 30, 2017.

Criteria or Requirement:

According to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing adequate risk assessment procedures required by the Uniform Guidance for the purposes of determining the appropriate subrecipient monitoring relating to the subaward for CTE subrecipients.

Cause:

In discussing these conditions with ICCB officials, they stated risk assessment procedures were put in place as required under the Grant Accountability and Transparency Act (GATA). The Board was unaware that the risk assessment procedures implemented under GATA were insufficient to meet the federal guidelines.

Possible Asserted Effect:

Failure to adequately evaluate each subrecipient's risk of noncompliance and perform the appropriate monitoring may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and terms and condition.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of ICCB Officials:

The Board is working to develop and implement a more robust risk assessment process than what was designed as part of the Grant Accountability and Transparency Act. Beginning in fiscal 2019, with the monitoring of fiscal 2018 grants, this new process will be in place.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($39,846,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-048 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

ICCB did not accurately report expenditures under the Career and Technical Education – Basic Grants to States (CTE) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to ICCB's financial records. Specifically, we noted the following differences for the year ended June 30, 2017:

SEFA Caption	Amount per ICCB's Records	Amounts Reported on the Initial SEFA	Difference
Federal expenditures	$16,810,000	$16,614,000	$196,000
Amounts passed through to subrecipients	16,440,000	16,619,000	179,000

Upon further investigation, we noted the differences identified in the table relate to current period adjustments for overpayments made to subrecipients which should not have been reported in program expenditures. An adjustment was proposed and recorded by the IOC to correct the cash basis expenditure amount; however, an adjustment was not made to correct the amounts passed through to subrecipients. Although the difference identified is not quantitatively material to the SEFA, as a whole, the State does not have a process in place to evaluate items of this nature outside the audit process, as discussed in finding 2017-001. Accordingly, any error which may be material to the SEFA (in quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

Cause:

In discussing these conditions with ICCB officials, they stated they receive their funding from another State agency and believe the differences to be immaterial.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with 2 CFR 200 (Uniform Guidance), which may result in the suspension of federal funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ICCB establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Views of ICCB Officials:

The Board incorrectly categorized payments made to other state agencies, acting in a sub-grantee capacity, as payments to subrecipients on the SCO-567. The Board agrees that this error is immatierial to the SEFA as a whole.

The Board will work to ensure correct identification of sub-recipients and sub-recipient expenditures for the purposes of accurate SEFA reporting.

(Continued)

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loan Program – Guaranty Agencies

CFDA # and Program Expenditures: 84.032G ($4,318,000)

Award Numbers: None

Federal Award Year: July 1, 2016 to June 30, 2017

Questioned Costs: Cannot be determined

Finding 2017-049 – *Inadequate Process to Verify Unreported Loans*

Condition Found:

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loan program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders through an electronic lender manifest (update file) submitted to ISAC on a monthly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the "presumed paid" process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to presumed paid, and reported as such to the NSLDS.

The second process is called the "unreported loans" process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is compliance reviews of the lenders performed every biennium via the Common Review Initiative (CRI) process.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans (with loan balances totaling $520,878) to confirm the accuracy of the loan information with the lender and noted the following exceptions:

- Confirmations for 5 loans (with loan balances totaling $21,125) were returned as undeliverable. Upon further investigation, ISAC was unable to facilitate locating the respondent.

- Confirmations for 8 loans (with loan balances totaling $44,266) were returned identifying differences related to the status of the loan (e.g., loan holder, loan amount, etc.).

The outstanding principal balance on loans guaranteed by ISAC totaled $3,271,587,000 as of June 30, 2017.

Criteria or Requirement:

In accordance with 34 CFR Section 682.404(a), (b), and (c), a guaranty agency shall accurately complete and submit to the Secretary a Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure loan information is properly verified and reported to the NSLDS.

Cause:

In discussing these conditions with ISAC officials, they stated ISAC recognizes the importance of obtaining accurate and timely data from its lenders and supports standard reporting formats and schedules to ease the reporting process for lenders. As there is not a federal requirement for lenders to respond to the unreported loans report, ISAC relies on standard business processes with the approval of the USDE to verify unreported loans.

Possible Asserted Effect:

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

Views of ISAC Officials:

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

- ISAC will continue to process monthly lender manifest submissions.
- ISAC will continue its “presumed paid” process which is a method to change the loan status to presumed paid for loans that have been in repayment status for twelve years and that have not been updated through any lender reporting in the past four years.
- ISAC will continue to create the semi-annual unreported loans report as the means for lenders to report changes and updates to loan records.
- ISAC will continue to initiate an unreported loans follow up process with e-message reminders to lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission. The reminders will be sent at regular intervals to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.
- ISAC will continue to participate in the Common Review Initiative (CRI) to conduct the compliance audits of participating lenders

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loans Program – Guaranty Agencies

CFDA # and Program Expenditures: 84.032G ($4,318,000)

Award Numbers: None

Federal Award Year: July 1, 2016 to June 30, 2017

Questioned Costs: Cannot be determined

Finding 2017-050 - *Inadequate Process to Ensure Required Due Diligence is Performed*

Condition Found:

ISAC does not have an adequate process to ensure collection efforts required by program regulations are performed for all loans.

As the State Guaranty Agency for the Federal Family Education Loan program, ISAC is required to perform specific collection efforts for a loan on which it pays a default claim to a lender. Specifically, ISAC is required to send a written notice to the borrower within 45 days of paying a lender's default claim stating the actions that may be taken by ISAC to collect the debt.

During our testwork over 25 defaulted loans, we noted 6 of 25 defaulted loan accounts tested where prescribed collection activities (e.g., phone calls, ODD-010 letters, etc.) were not performed.

Defaulted loans outstanding totaled $401,164,000 as of June 30, 2017. Lender claims for loans paid during the year ended June 30, 2017 totaled $101,443,141.

Criteria or Requirement:

According to 34 CFR 682.410(b)(6), a guaranty agency must engage in reasonable and documented collection activities on a loan on which it pays a default claim filed by a lender. For a non-paying borrower, the agency must perform at least one activity every 180 days to collect the debt, locate the borrower (if necessary), or determine if the borrower has the means to repay the debt. Additionally, within 45 days after paying a lender's default claim, the agency must send a notice to the borrower that: (1) advises the borrower of the default status; (2) provides information about the original loan; (3) explains interest provisions, the effect of the default on the borrower's credit report, opportunities and remedies available to the borrower; (4) describes the borrower's rights; and (5) identifies the enforcement actions that the agency may take.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure required notifications are generated and sent to all borrowers in accordance with program regulations.

Cause:

In discussing these conditions with ISAC officials, they stated corrective actions were not implemented for the 180 Day Due Diligence and Credit Bureau Notification letters in fiscal year 2018 due to oversight.

Possible Asserted Effect:

Failure to perform collection efforts within the required time frame may result in noncompliance with applicable federal laws and regulations.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-059. (Finding Code 2017-050, 2016-059, 2015-054, 2014-046)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISAC implement procedures to ensure required collection efforts are performed in accordance with federal laws and regulations.

Views of ISAC Officials:

We agree with the finding. We are currently revisiting this issue in order to make sure the above referenced letters are generated. Until the system fix is completed, we have a process in place to review and manually send letters that are not automatically generated by the system.

(Continued)

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loan Program – Guaranty Agencies

CFDA # and Program Expenditures: 84.032G ($4,318,000)

Award Numbers: None

Federal Award Year: July 1, 2016 to June 30, 2017

Questioned Costs: Cannot be determined

Finding 2017-051 - *Inadequate Process to Verify Bankruptcy Claims are Submitted in a Timely Manner*

Condition Found:

ISAC does not have an adequate process to verify bankruptcy claims are submitted in a timely manner.

When a borrower files a petition for relief under the Bankruptcy Code, the lender must immediately suspend any collection efforts outside the bankruptcy proceeding against the borrower and shall file a bankruptcy claim on the loan with the guaranty agency (ISAC) by the earlier of (a) 30 days after the date on which the lender receives notice of the first meeting of creditors or other proof of filing provided by the debtor's attorney or the bankruptcy court or (b) 15 days after the lender is served with a complaint or motion to have the loan determined to be dischargeable on grounds of undue hardship, or, if the lender secures an extension of time within which an answer may be filed, 25 days before the expiration of that extended period, whichever is later. ISAC shall review bankruptcy claims promptly and shall pay the lender on an approved claim the amount of loss equal to the unpaid balance of principal and interest accrued during the approval period. ISAC can then request reimbursement from the U.S. Department of Education (ED) for losses on bankruptcy claims paid to lenders. Bankruptcy notices that are not received timely by ISAC from the lenders should be rejected and no payment to the lender should be made.

During our testwork over 40 death, disability, closed school, false certification, unpaid refund, bankruptcy, and teacher loan forgiveness claims, we noted that for 1 bankruptcy claim, the bankruptcy notice was received by ISAC 31 days after the date the condition occurred, which is 1 day after the required due date. As a result, ISAC should have rejected the claim and should not have reimbursed the lender for the loan amount ($7,708) nor requested reimbursement from ED.

Criteria or Requirement:

According to 34 CFR 682.402(f), if a borrower files a petition for relief under the Bankruptcy Code, the Secretary reimburses the holder of the loan for unpaid principal and interest on the loan. Additionally, a lender must file a bankruptcy claim within the period prescribed in 34 CFR section 682.402(g)(2). The guaranty agency shall review a bankruptcy claim promptly and shall pay the lender in accordance with 34 CFR section 682.402(h). Guaranty agencies are required to take specific actions in bankruptcy proceedings in accordance with 34 CFR section 682.402(i). In accordance with 34 CFR section 682.402, the guaranty agency shall not request payment from ED until the lender's claim has been paid. A borrower or lender must file an unpaid refund application within the period prescribed in 34 CFR section 682.402(l). The guaranty agency shall review an unpaid refund claim promptly in accordance with 34 CFR section 682.402(l) and shall pay the lender in accordance with 34 CFR section 682.402(n).

In addition, 2 CFR 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure bankruptcy claims are submitted in a timely manner.

Cause:

In discussing these conditions with ISAC officials, they stated the ISAC system was set up to give five days grace period to bankruptcy claims to allow for mailing time of paper claims and has not been updated for e-claim requirements.

Possible Asserted Effect:

Failure to verify bankruptcy claims are submitted in a timely manner may result in noncompliance with federal laws and regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-051)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISAC review its process to ensure that bankruptcy claims are properly verified and submitted in a timely manner.

Views of ISAC Officials:

We agree and have updated the system to ensure electronic claims do not allow a five day grace period, while paper claims will still allow for a mailing time grace period. The lender has repurchased the loans related to this claim.

Additionally, all bankruptcy claims are being scrutinized prior to processing to ensure they are received timely, and if not, are returned to the lender. We reviewed all bankruptcy claims for the audit period and this was the only claim that fell outside of the established guideline.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-052 – *Failure to Maintain Adequate Supporting Documentation for UI Program Administrative Grants*

Condition Found:

IDES could not provide appropriate supporting documentation for certain cash draws, adjustments, and financial and special reports for administrative grants of the Unemployment Insurance (UI) program.

Certain compliance requirements for the UI program are dependent on queries and other reports generated from data within the State's Enterprise Resource Planning (ERP) system. During our audit we noted monthly financial closing procedures were not performed and IDES was unable to generate reports necessary to support its administrative grants throughout the audit period. Specifically, we noted the following:

- IDES management was unable to provide supporting documentation which agreed to or could be reconciled to administrative cash draw requests made during the year ended June 30, 2017.
- IDES management was unable to demonstrate the population of UI administrative grant adjustments was complete and accurate due to ERP data integrity issues.
- Financial and special reports prepared by IDES were based upon queries of ERP data which could not be reperformed or tested for completeness and accuracy.

In addition, IDES was unable to provide a Service Organization Control (SOC) report covering ERP application or the general information technology controls relevant to the ERP. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to conclude on the cash management, period of performance, and reporting (ETA 9130 – *Financial Status Report, UI Programs* and ETA 2208A – *UI Contingency Report)* compliance requirements applicable to the UI administrative grants.

IDES reported total UI administrative expenditures of approximately $153,100,000 in the SEFA as of and for the year ended June 30, 2017.

Criteria or Requirement:

According to 2 CFR 200.302, each State must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate supporting cash draws for administrative cash draw requests, adjustments, and financial and special reports for the federal programs.

Cause:

In discussing these conditions with IDES officials, they stated resources limitations have delayed the implementation of custom reports needed for UI administrative grants.

Possible Asserted Effect:

Failure to maintain supporting documentation for administrative cash draws, adjustments, and certain financial and special reports prohibit the completion of an audit and prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-052)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDES Officials:

IDES accepts this finding and will continue to pursue the development and deployment of the reports in question, which were preliminarily transported to the ERP system in November 2017, and which continue to be tested for compliance with Federal statutes, regulations, and the terms and conditions of the awards. We have fully validated the cash draw report. We should complete full validation of all other Federal reports by June 30, 2018.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-053 – *Failure to Implement UI Program Integrity and Overpayment Reduction Requirements*

Condition Found:

IDES did not implement Federal requirements to improve program integrity and reduce overpayments.

The State is required to establish written procedures for: (1) identifying overpayments, (2) classifying overpayments into categories based on the reason the overpayment occurred (i.e. employer error, non-response from employers, beneficiary fraud, etc.), and (3) establishing appropriate methods for following up on each category of overpayment. In establishing these procedures, the State is required to enter into three agreements prior to commencing recoveries. The first agreement permits the State to offset State UI from Federal UI overpayments (Cross Program Offset and Recovery Agreement). The second agreement permits the State to recover overpayments from benefits being administered by another State (Interstate Reciprocal Overpayment Recovery Agreement). The third agreement permits the State to utilize the Treasury Offset Program to recover overpayments that remain uncollected one year after the debt was determined to be due. Additionally, the State is (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) prohibited from providing relief from charges to employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

During our testwork, we noted that while IDES has developed the written procedures relative to overpayments and entered into the required agreements described in the previous paragraph, the written procedures did not address the requirement to impose a monetary penalty on fraud overpayments. Additionally, we noted the policies do not address the prohibition of providing employers relief resulting from an employer failing to provide timely or adequate information.

Criteria or Requirement:

42 U.S.C. 503(a)(11)(A) requires States to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayment. In addition, 26 U.S.C. 3303(f)(1)(A) prohibits States from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

(Continued)

26 U.S.C. 3304(a)(4)(D) and 42 U.S.C.503(g)(1) require States to recover overpayments through offset against UC payments. In addition 42 U.S.C.503(m) requires States to utilize the Treasury Offset Program for overpayments that remain uncollected one year after the debt was determined to be due.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure program integrity and overpayment reduction requirements are implemented.

Cause:

In discussing these conditions with IDES officials, they stated the procurement process for the IT services needed to implement the 15% penalty took longer than initially anticipated. IDES also had difficulty determining the best method for implementing the non-charging prohibition.

Possible Asserted Effect:

Failure to implement Federal requirements could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDES Officials:

IDES accepts the finding and is currently integrating our current overpayment tracking system into our benefit payment system. The 15% penalty on fraud overpayments is part of the scope of work and will be implemented as part of our systems integration, which is scheduled for completion by August of 2018. The department will also begin planning the implementation of the prohibition on non-charging due to employer fault per federal guidance and this is due to be completed by the end of April of 2019.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-054 – *Failure to Issue Eligibility Determinations within Prescribed Timeframes*

Condition Found:

IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim requires further action prior to benefits determination. The claim is then assigned to a claims adjudicator for resolution through system workflow. The system monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our review of the fiscal year 2018 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2017, resolving only 70.5% of these determinations within 21 days of the detection date.

Criteria or Requirement:

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure eligibility determinations are performed in accordance with required timeframes.

Cause:

In discussing these conditions with IDES officials, they stated 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.

Possible Asserted Effect:

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely payment of unemployment benefits.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

Views of IDES Officials:

IDES accepts the finding and has focused on the reduction and elimination, where possible, of the posting and scheduling of adjudication assignments which are actually non-issues. Our attention has been directed to the Document Processing Unit and the Internet Claims Unit, which are in position to ensure that valid issues get posted. Staff in these units, by way of a continuous process improvement model, learn to properly identify documents, to properly index documents to the correct issue, and to prevent the posting of duplicate and unnecessary issues. Also, we have identified and focused in on localized causes of untimeliness and began pilot projects in those areas to fix the problems. For example, Southern Region began a project to shift majority focus on backlogged cases to completing cases which are timely—which also prevents such cases from becoming backlogged and untimely. Another pilot focused in on adjudication issues identified in regional offices and had staff post selected issues as they were identified instead of shifting the burden to the local office via a time-wasting referral. In addition, during the 3rd calendar year quarter of 2017, we implemented technical solutions in order to automatically prevent improper employer notification and also to prevent the posting of issues related to employers without party status. A critical aspect in correcting this finding is providing ongoing training opportunities for management and staff. Further, it should be noted that the performance level for the federal fiscal year under review is 8.6 percentage points greater than the prior year reviewed. Moreover, IDES completed the calendar year at a 76.9% performance level.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-055 – *Inadequate Process for Preparing UI Financial Reports*

Condition Found:

IDES does not have an adequate process in place to ensure all financial reports prepared for the Unemployment Insurance (UI) program are accurate.

On a quarterly basis, IDES is required to report information on overpayments of intrastate and interstate UI claims under the regular State UI program and under federal UI programs, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Members (UCX) on the *ETA 227 – Overpayment Detection and Recovery Activity* (ETA 227) report. The information required to be reported includes the number and dollar amounts of claims with overpayments during the quarter identifying what caused the overpayment and how it was detected. An aging and reconciliation of outstanding overpayments is also required to be reported.

During our testwork of two quarterly ETA 227 reports, we noted the amounts reported by IDES on several required line items did not agree to the supporting documentation provided by IDES during our audit. The errors identified related to the number of fraud and non-fraud overpayment cases established (Section B), the dollar amount recovery of the overpayments (Section C), and the aging of the benefit overpayment accounts (Section E). As of the date of our testwork (December 4, 2017), IDES had not revised the report or reconciled any of the differences identified.

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are accurate. Specifically, we noted IDES does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to ET Handbook 401, 4th Edition, IDES is required to submit quarterly overpayment detection and recovery activity reports (known as ETA 227 reports) by the first day of the second month after the quarter of reference.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

Cause:

In discussing these conditions with IDES officials, they stated the errors were a result of a currently manual process to compile the reports with data from multiple systems that do not interact.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDES Officials:

IDES accepts this 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 goal is to complete this integration and to reengineer the ETA 227 report in the 3rd quarter of calendar year 2018.

It should be noted that Section A of the report which records new overpayments established within the reporting quarter has passed data validation by the U.S. Department of Labor – ETA standards. This asserts that the reporting of new overpayments is accurate. IDES has also passed data validation for all collection activities that are reported within Section C of the report.

Further, the manager of the Benefit Payment Control Division is asked to review the compiled report for reasonableness prior to being submitted to the ETA.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-056 – *Inadequate Controls over Information Systems*

Condition Found:

IDES does not have adequate controls over the information systems that support the Unemployment Insurance (UI) Program to remove terminated users in a timely manner.

The information technology systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Wage Information System (WIS)
- The Benefit Funding System (BFS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Benefits Audit and Reporting System (BARTS)
- The Telephone Certification System (TCS)
- The Administrative Accounting System (AAS)

The IBIS is the centrally maintained information system designed to perform and document claimant eligibility determinations, to process claims for unemployment insurance benefits, and to assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. It interfaces with the WIS, which is the system that includes all of the employer wage data and remittance information for the payroll taxes. The BFS includes the employer setup information and the rate calculation process and the BCS is the system that charges the employment tax rates to the employer accounts. The ORS is designed to detect and report over payments and the BARTS helps direct, determine and collect UI fraudulent claims. The TCS is used by claimants to certify their continuing eligibility for benefits. The AAS is the accounting software used to process financial accounting records and reports.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel database. When this job identifies employees who have terminated, the user ID for the individual is deleted. Any modification of access must also be approved by the cost center manager through the use of the TSS-006 Form. It is the cost center manager's responsibility to determine the proper on-line access for each employee.

During our testwork over the access, program change and development, and computer operations controls of the mainframe system, we noted user access review procedures were not performed for five of the fifteen cost centers selected for testing.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place and that user access reviews are performed.

Cause:

In discussing these conditions with IDES officials, they stated Cost Center managers have not been held accountable for the timely review and sign off of the semi-annual Security Software review.

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure access to its information systems is adequately secured and user access reviews are performed.

(Continued)

Views of IDES Officials:

IDES accepts this finding and will implement procedures to ensure the timely review and signoff of the semi-annual RACF Access review. IDES personnel will make one follow up attempt to the non-compliers and then it will be escalated to the appropriate Deputy Director or the Director.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225/17.225ARRA ($2,011,738,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-057 – *Inaccurate Reporting of Federal Expenditure Information*

Condition Found:

IDES did not accurately report Federal expenditure information under the Unemployment Insurance (UI) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDES' financial records. Specifically, we noted the following differences for the year ended June 30, 2017:

Program	Amounts Reported per IDES' Records	Amounts Reported on the SEFA	Difference
Unemployment Insurance	$2,005,727,000	$2,011,738,000	($6,011,000)

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

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information for audit purposes is complete and accurate.

 (Continued)

Cause:

In discussing these conditions with IDES officials, they stated the error was a result of human error, staff turnover, and the constraints of the State Comptroller Office (SCO) 563 form used to report this information.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Views of IDES Officials:

IDES accepts this finding and will establish new procedures on how to prepare the SEFA and ensure staff accurately reviews all expenditures before submitting the SEFA. The non-cash true-up entry for prior period estimates is an ongoing issue which we will work with the IOC to correct.

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)

Program Name: CDBG – State Administered Small Cities Program

CFDA # and Program Expenditures: 14.228 ($71,710,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-058 – *Failure to Properly Report Federal Expenditures*

Condition Found:

DCEO did not properly report loan balances under the CDBG State Administered Small Cities Program (CDBG).

In the 1980's, DCEO established revolving loan funds with a number of municipalities (subrecipients) in order to provide CDBG loans to organizations within their respective communities. The subrecipients are required to collect and deposit loan repayments and interest into their revolving loan fund and issue new loans as funds become available. In State fiscal year 2013, DCEO determined there were continuing compliance requirements relative to the revolving loan balances as a result of a finding received from USHUD. As the loan funds are refundable to DCEO if the subrecipient discontinues participation in the program and DCEO is required to monitor the loan balances, DCEO began reporting the outstanding loan balance at the beginning of the audit period as part of program expenditures (in the SEFA footnotes prior to adoption of the Uniform Guidance and on the face of the SEFA thereafter). DCEO has not provided any new loans under the CDBG program in recent years; however, some organizations have returned loan fund balances to DCEO.

During our audit procedures, we noted the federal expenditure information reported to the Illinois Office of the Comptroller (IOC) which was used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to DCEO's financial records. Specifically, we noted DCEO did not include the beginning loan balances for the CDBG program of $50,385,000 in the information initially reported to the IOC. We proposed and the State recorded an adjustment to include the beginning loan balances on the SEFA for the CDBG program to adopt the SEFA reporting requirements under the Uniform Guidance.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502. Also, according to 2 CFR 200.502(a), the determination of when a federal award is expended should be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and terms and conditions of the Federal awards.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure loan balances are accurately reported on the SEFA.

Cause:

In discussing these conditions with DCEO officials, they stated they no longer believe the loans are required to be reported on the SEFA.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2016-070. (Finding Code 2017- 058, 2016-070, 2015-066, 2014-054, 2013-050)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCEO establish procedures to ensure loan balances reported to the IOC and used to prepare the SEFA are accurate. If DCEO believes these amounts are not required to be reported on the SEFA, we recommend DCEO work with USHUD to obtain a formal management decision relative to this matter.

Views of DCEO Officials:

The Department believes these amounts are not required to be reported on the SEFA and agrees with the auditor's recommendation to collaborate with USHUD to obtain a formal management decision relative to this matter. The Department will proceed in obtaining a management decision utilizing USHUD processes and protocols.

(Continued)

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.219 ($1,526,095,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-059 – *Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program*

Condition Found:

IDOT did not obtain certified payrolls in accordance with its established internal control procedures for the Highway Planning and Construction Cluster (Highway Planning) program.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. These regulations require, in part, that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid prevailing wage rates established for the locality of the project. Each subcontractor subject to the Wage Rate Requirement (formally known as the Davis-Bacon Act) must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on the construction site is required to keep a log of contractors and monitor payroll submission. These logs are reviewed by the resident engineer, which indicates the certified payrolls for that period have been received in accordance with IDOT's established controls.

IDOT's procedures require weekly certified payrolls to be provided by contractors within four weeks of the payroll payment date. IDOT's policy also requires funding to be suspended if contractors do not submit late certified payrolls within 7 days of notification from IDOT.

During our testwork of 50 Highway Planning contractor payments for regular construction projects (totaling approximately $35,169,000) and 15 Highway Planning contractor payments for advanced construction projects (totaling approximately $23,693,000), we noted the following:

- The certified payrolls for 17 Highway Planning contractor payments on regular construction projects (totaling approximately $5,799,000) and 1 Highway Planning contractor payment on advanced construction projects (totaling approximately $2,129,000) were not received in a timely manner. Delays in receiving the certified payrolls ranged from 13 to 114 days.
- The certified payrolls for 9 Highway Planning contractor payments on regular construction projects (totaling approximately $6,128,000) and 4 Highway Planning contractor payments on advanced construction projects (totaling approximately $2,094,000) were not date stamped. As a result, we were

unable to determine whether they were received in compliance with federal requirements and IDOT's established procedures.

- The certified payrolls for 2 Highway Planning contractor payments on regular construction projects (totaling approximately $440,000) were not signed by either the Resident Engineer, documentation staff, or Equal Employment Opportunity (EEO) personnel. As a result, we were unable to determine whether the certified payroll was approved.

IDOT did not determine it necessary to suspend funding since the certified payroll had been received subsequent to notification by IDOT. Payments made for construction contracts under the Highway Planning program were approximately $1,216,587,000 during the year ended June 30, 2017.

Criteria or Requirement:

According to 29 CFR Section 5.5(a)(3)(ii)(A) and 5.5(a)(3)(ii)(B), the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Resident Engineer. Each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure certified payrolls are received in a timely manner.

Cause:

In discussing these conditions with IDOT officials, they stated the condition noted is attributed to the lack of clear administrative procedures for collection of certified payrolls and actions for non-compliance.

Possible Asserted Effect:

Failure to obtain certified payrolls in accordance with federal requirements and IDOT's established control procedures could result in contractors not paying the prevailing wage rate to employees.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDOT Officials:

Documented progress has been made to correct the audit finding. The finding shows the vast preponderance of payrolls are received in accordance with the contract documents. Further consultation with district construction staff is necessary to attain full implementation. This will take place via each district's spring Project Implementation meeting and through field visits by the Project Review Engineers in the Bureau of Construction.

In addition, we have updated our process to address the finding but because of the extensive volume of documents required and the number of contractors involved, the Department believes an information technology solution is necessary to further strengthen the controls over this process. IDOT has been diligently working to upgrade its systems critical to its processes. As part of the new Construction and Materials Management System, contractors will have the ability to scan and submit certified payroll files electronically. This information system development project is currently underway and we are hopeful it will assist in correcting the issue.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($65,651,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-060 – *Inaccurate Airport Improvement Financial Status Report*

Condition Found:

IDOT did not prepare an accurate financial report for the Airport Improvement Program (Airport Improvement).

IDOT is required to prepare an annual federal financial status report (SF-425) for the Airport Improvement program. During our testwork of the SF-425 report submitted for the federal fiscal year ended September 30, 2016, we noted the following errors:

Report Line Items	Reported Amount	Actual Amount	Difference
Line 10.g – Total Federal share	$456,793,761	$456,793,948	$187
Line 10.h – Unobligated balance of Federal funds	$60,231,330	$0	$60,231,330

Additionally, we noted IDOT improperly identified the annual report as the final report (line item 6) and erroneously reported the grant period as 9/30/2013 to 10/1/2015 instead of 9/30/2003 to 9/30/2016.

We further noted the supervisory review procedures performed for this report were not at an appropriate level of precision to identify the errors identified in our testing. Additionally, IDOT does not perform analytical procedures to identify potential errors or unusual fluctuations in reported amounts.

Criteria or Requirement:

According to the SF-425 report Box 13 for certification, recipients of Airport Improvement Program grants must submit complete and accurate information on the SF-425 reports.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure information reported in required financial reports is accurate.

Cause:

In discussing these conditions with IDOT officials, they stated the errors noted are attributed to a lack of written procedures guiding staff on the proper way to complete the reports accurately.

Possible Asserted Effect:

Failure to prepare accurate financial reports prevents USDOT from effectively monitoring the Airport Improvement Program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-060)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IDOT Officials:

Written procedures were developed on October 2, 2017 which address the issues noted in the finding. The written procedures outline the verification of the status of the grant and when the report should be marked as final or annual. They also include an additional quality assurance review by the Engineering Program Section. The procedures state the reported amount should be the actual amount expended. All funds assigned to active projects are obligated; therefore, funds should not be reported as uncommitted in future reports.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.106 ($65,651,000)
20.205/20.219 ($1,526,095,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-061 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

IDOT did not adequately review single audit reports received from its subrecipients for the Airport Improvement Program (Airport Improvement) and the Highway Planning and Construction Cluster (Highway Planning).

Subrecipients who spend more than $750,000 in federal awards are required to submit a single audit report to IDOT. IDOT Program staff are responsible for reviewing these reports and issuing management decisions on any findings applicable to IDOT programs noted in the subrecipient reports. A desk review checklist is used to document the review of the subrecipients' single audit reports.

IDOT passed through approximately $37,247,000 and $268,868,000 to subrecipients of the Airport Improvement program and the Highway Planning program, respectively, during the year ended June 30, 2017. During our testwork of 16 subrecipients of the Airport Improvement program (with total expenditures of $33,200,270) and 26 subrecipients of the Highway Planning program (with total expenditures of $129,057,222) we noted the following regarding the desk review process:

- IDOT did not issue a management decision related to findings reported within 6 months after receipt of the subrecipient's audit report for 1 subrecipient of the Highway Planning program. The delay in issuing a management decision was 460 days after its required due date. Amounts passed through to this subrecipient during the year ended June 30, 2017 totaled $1,155,000.
- IDOT did not complete supervisory reviews of the desk review checklist for 2 subrecipients of the Highway Planning program and 3 subrecipients of the Airport Improvement program. The checklists provided at the date of our fieldwork (December 15, 2017), did not contain a signature or date to evidence completion of the supervisory reviews. Amounts passed through to these subrecipients during the year ended June 30, 2017 totaled $2,315,000 and $1,974,000, respectively.

Additionally, we noted IDOT has not established adequate monitoring controls to ensure management decision letters are issued in accordance with required timeframes.

Subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2017 Program Expenditures	Percentage
Airport Improvement	$37,247,000	$65,651,000	56.7%
Highway Planning	268,868,000	1,526,095,000	17.6%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, 2 CFR 200.331(d)(3) and 2 CFR 200.521(d) state that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients' single audits, (2) subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Uniform Guidance, including that the audits are completed within nine months after the end of the subrecipients fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after receipts of the subrecipients' audit reports.

Cause:

In discussing these conditions with IDOT officials, they stated the section responsible for this requirement was understaffed due to turnover.

Possible Asserted Effect:

Failure to adequately review subrecipient single audit reports may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue management decisions within six months of receiving single audit reports results in noncompliance with federal regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-061)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT implement procedures to ensure review of subrecipient single audit reports is documented and management decisions are issued for all findings affecting its federal program in accordance with required timeframes.

Views of IDOT Officials:

Two staff were hired and began employment in the Unit on February 16, 2018. The goal is to have the Unit fully staffed and functional by the end of fiscal year 2018.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($65,651,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-062 – *Inaccurate Reporting of Federal Expenditure Information*

Condition Found:

IDOT did not accurately report Federal expenditure information under the Airport Improvement Program (AIP).

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOT's financial records. Specifically, we noted the following differences relative to amounts passed through to subrecipients for the year ended June 30, 2017:

Program	Amounts per IDOT's Records	Amounts Initially Reported to the IOC	Difference
AIP	$37,247,000	$35,267,000	$1,980,000

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

(Continued)

Cause:

In discussing these conditions with IDOT officials, they stated IDOT's software systems do not have the ability to track federal expenditures by CFDA; therefore, the annual reconciliation of federal expenditures, including year-end expenditure cut-offs, for financial reporting purposes is highly manual.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

Views of IDOT Officials:

For future reporting periods, the procedures detailing the reconciliation of the federal expenditure reconciliation with be revised to include a detailed review of manual federal expenditure adjustments to ensure expenditures are properly categorized.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.106 (65,651,000)
20.205/20.219 ($1,526,095,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2017-063 – *Inadequate Controls over Information Systems*

Condition Found:

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

The information technology 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)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

During our testwork over changes made to IDOT's information systems, we noted IDOT was not able to generate a list of changes made to its information systems from each respective information system or application. IDOT's current procedures include tracking changes made to its information systems in a database; however, the information input into the database is manually input. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

 (Continued)

Criteria or Requirement:

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs have proper change management controls in place.

Cause:

In discussing these conditions with IDOT officials, they stated the systems are old and don't have the capability to produce a system generated list.

Possible Asserted Effect:

Failure to ensure the information systems that are used to administer the federal programs have proper change management controls in place could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2016-073. (Finding Code 2017-063, 2016-073, 2015-071, 2014-063, 2013-067, 12-82)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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. We 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.

Views of IDOT Officials:

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. The remaining systems will be addressed as stated below:

- The Electronic Contract Management System (ECM) – Vendor Contract and Letting Management System is currently in the Request for Proposal stage to seek a replacement System.
- The Electronic Letting Management System (ELM) – Vendor Contract and Letting Management System is currently in the Request for Proposal stage to seek a replacement 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.

State Agency: Illinois Environmental Protection Agency (IEPA)

Federal Agency: U.S. Environmental Protection Agency (USEPA)

Program Name: Capitalization Grants for Clean Water State Revolving Funds
Capitalization Grants for Drinking Water State Revolving Funds

CFDA # and Program Expenditures: 66.458 ($60,444,000)
66.468 ($70,056,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-064 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

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.

IEPA requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IEPA staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IEPA records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, IEPA staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

During our review of a sample of 8 subrecipient single audit desk review files for each program, we noted the following exceptions:

- Seven CWSRF subrecipient reports were not reviewed in a timely manner (within 60 days of receipt). Delays in reviewing these reports ranged from 146 to 429 days. Federal disbursements to the selected subrecipients totaled $14,997,033.
- Four DWSRF subrecipient reports were not reviewed in a timely manner (within 60 days of receipt). Delays in reviewing these reports ranged from 80 to 371 days. Federal disbursements to the selected subrecipients totaled $29,850,745.
- One DWSRF single audit report was not obtained by IEPA. Upon further review, IEPA determined the subrecipient did not have expenditures in excess of $750,000 and did not require an audit; however, IEPA had not obtained a certification that an audit was not required in accordance with their policy. The subrecipient had received $653,156 in Federal funding from IEPA for their fiscal year under audit.

IEPA's subrecipient expenditures under the federal programs for the year ended June 30, 2017 were as follows:

Program	Total Fiscal Year 2017 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
CWSRF	$60,333,000	$60,444,000	99.8%
DWSRF	68,503,000	70,056,000	97.8%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, 2 CFR 200.331(d)(3) states that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure single audit reports are reviewed in a timely manner and management decision letters are issued within required timeframes.

Cause:

In discussing these conditions with IEPA officials, they stated they believe the files were obtained and reviewed in a timely manner, but could not locate documentation evidencing their timely completion due to an employee absence.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement

Repeat Finding:

A similar finding was not reported in prior year. (Finding Code 2017-064)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IEPA 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.

Views of IEPA Officials:

Agree. The Agency has procedures in place to properly notify, track and monitor the recipients of federal funds and their requirements to have or not have a federal audit performed.

State Agency: Illinois Environmental Protection Agency (IEPA)

Federal Agency: U.S. Environmental Protection Agency (USEPA)

Program Name: Capitalization Grants for Clean Water State Revolving Funds
Capitalization Grants for Drinking Water State Revolving Funds

CFDA # and Program Expenditures: 66.458 ($60,444,000)
66.468 ($70,056,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-065 – *Failure to Draw Funds Only for Immediate Cash Needs*

Condition Found:

IEPA did not minimize time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 25 payments (totaling $41,797,940) to subrecipients of the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) program and 25 payments (totaling $21,237,271) to subrecipients of the Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) program, we noted warrants were not issued on a timely basis by the Illinois Office of the Comptroller (IOC) due to difficulties encountered during the implementation of the State's Enterprise Resource Planning (ERP) system. Specifically, we noted eleven CWSRF subrecipient payments (totaling ($24,421,783) and eight DWSRF subrecipient payments (totaling $3,974,054), were not received by the IOC for payment after the vouchers were approved by IEPA. As a result, IEPA received cash in advance of paying these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 7 to 24 business days.

Total subrecipient payments for the CWSRF and DWSRF programs administered by IEPA were $60,333,000 and $68,503,000 during the year ended June 30, 2017, respectively.

Criteria or Requirement:

According to 2 CFR 200.302(b)(6) and 2 CFR 200.305(a), all non-Federal grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than $72,621,000 in expenditures to follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State Agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Cause:

In discussing these conditions with IEPA officials, they stated certain vouchers were not sent to the Illinois Office of the Comptroller for payment during the implementation of the Enterprise Resource Planning system.

Possible Asserted Effect:

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government.

Repeat Finding:

A similar finding was not reported in prior year. (Finding Code 2017-065)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IEPA perform procedures to verify vouchers have been received by the IOC for payment prior to requesting cash from the federal government.

Views of IEPA Officials:

Agree. The Agency follows federal guidelines of minimizing the time between federal draws and the disbursement of funds for program purposes. The Agency now tracks approved vouchers to ensure payment by the IOC.

(Continued)

State Agency: Illinois Environmental Protection Agency (IEPA)

Federal Agency: U.S. Environmental Protection Agency (USEPA)

Program Name: Capitalization Grants for Clean Water State Revolving Funds
Capitalization Grants for Drinking Water State Revolving Funds

CFDA # and Program Expenditures: 66.458 ($60,444,000)
66.468 ($70,056,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-066 – Inaccurate SF-425 Federal Financial Reports

Condition Found:

IEPA did not prepare accurate financial reports for the Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) program.

IEPA is required to prepare financial status (SF-425) reports on an annual basis for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) and DWSRF programs. During our testwork over two annual SF-425 reports submitted during State fiscal year 2017, we noted the following errors in the preparation of the reports as below:

Grant Award	Report Line Item	Amount Reported	Actual Amount	Variance Over/(Under)stated
FS98577715	10i. Total recipient share required	$ –	$7,333,600	($7,333,600)
FS98577715	10k. Remaining recipient share to be provided	–	7,333,600	(7,333,600)
FS98577714	10i. Total recipient share required	6,357,200	7,382,200	(1,025,000)
FS98577714	10j. Recipient share of expenditures	6,357,200	7,382,200	(1,025,000)

Additionally, in considering the reporting process for these financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IEPA are complete and accurate. Specifically, we noted IEPA does not perform analytical or other procedures during the reporting preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to 40 CFR 35.3165 and 2 CFR 200.328, IEPA is required to submit annual financial status reports (known as SF-425 reports) within 90 days after the reporting period.

Additionally, 2 CFR section 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

Cause:

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

Possible Asserted Effect:

Failure to accurately prepare financial reports prevents the USEPA from effectively monitoring the CWSRF and DWSRF programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-066)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We 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.

Views of IEPA Officials:

Agree. The Agency has a process in place to ensure amounts are for the correct amount using supporting documentation and a supervisory review is performed.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services
National Family Care Giver Support, Title III, Part E

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)
93.043 ($746,000)
93.052 ($5,626,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $4,678,964

Finding 2017-067 – Failure to Properly Draw and Report Cash Advances for the Aging Cluster

Condition Found:

IDOA did not properly draw and report cash advances made under the Aging Cluster program.

During our testwork over 25 cash draws (totaling $40,548,437), we sampled one draw in the amount of $1,454,195 from federal fiscal year 2014 Aging Cluster grant awards (14AAILT3SS, 14AAILT3HD, and 14AAILT3FC). We noted the draw related to the close out of the award and that the underlying expenditures supporting the sampled draw had been incurred and paid in 2014. We also noted IDOA had not established a grant receivable in its accounting records or otherwise identified the previous paid expenditures had not yet been claimed under this award prior to performing the draw to close out the award in February 2017.

Upon further discussion with IDOA management relative to this cash draw, IDOA management disclosed IDOA staff had performed cash draws against Federal fiscal 2012 Aging Cluster grant awards in advance of anticipated expenditures expected to be reported by its subrecipients in Federal fiscal year 2015. It was later determined by IDOA personnel that these expenditures had not been incurred as expected which resulted in a cash advance relative to the Federal fiscal year 2012 Aging Cluster program grants and non-Aging Cluster Title III Part D and E programs.

Rather than reporting and returning the advance funding to the USDHHS, IDOA staff reduced draws on subsequent awards to reduce the overdrawn amounts throughout the period; however, additional advances resulted on subsequent awards for Federal fiscal years 2013, 2014, and 2015 which had not been reconciled by IDOA as of the date of our initial testing in January 2018.

In March 2018, IDOA management prepared reconciliations of cumulative cash draws compared to cumulative expenditures for each Title III grant administered for Federal fiscal years 2012 through 2017. As a result of those reconciliation procedures, IDOA management determined twelve Aging Cluster awards had cash draws in excess expenditures (overdrawn) totaling $4,678,964 as of June 30, 2017. Additionally, IDOA management identified non-Aging Cluster Title III Part D and E grants were overdrawn by $273,253 and $864,217, respectively.

The overdrawn Aging Cluster grants are as follows:

Federal Fiscal Year	CFDA Number	Award Name	Award Number	Cumulative Cash Draws	Cumulative Expenditures	Amount of Overdraw
2012	93.044	Title III B	12AAILT3SS	$15,903,620	$15,500,004	$403,616
2012	93.045	Title III C-1	12AAILT3CM	15,541,500	14,573,617	967,883
2012	93.045	Title III C-2	12AAILT3HD	8,644,477	7,986,107	658,370
2012	93.053	Nutrition Services Incentive Program (NSIP)	12AAILNSIP	6,901,365	6,897,403	3,962
2013	93.044	Title III B	13AAILT3SS	16,629,687	15,239,705	1,389,982
2013	93.045	Title III C-1	13AAILT3CM	13,937,416	13,736,237	201,179
2013	93.045	Title III C-2	13AAILT3HD	8,441,339	8,172,185	269,154
2014	93.044	Title III B	14AAILT3SS	16,780,030	16,329,614	450,416
2014	93.053	NSIP	14AAILNSIP	6,060,437	5,764,680	295,757
2015	93.044	Title III B	15AAILT3SS	15,485,267	15,460,194	25,073
2015	93.045	Title III C-2	15AAILT3HD	8,688,954	8,680,571	8,383
2016	93.045	Title III C-1	16AAILT3CM	12,787,827	12,782,638	5,189

In addition, during our testing of the data supporting the amounts identified in the reconciliations for each award year, we noted the cumulative expenditure amounts reported above include expenditures for carryover awards which may not have been obligated with the period of performance as discussed in finding 2017-068. We identified two expenditures totaling $1,175,961 pertaining to awards for Federal fiscal year 2012 ($496,274) and 2013 ($679,687) which IDOA personnel stated were expenditure of carryover awards. Accordingly, the Amount of the Overdraw may be understated by any expenditures for carryover awards that were not obligated during the applicable Federal fiscal year.

As of the date of our testing (April 13, 2018), we noted IDOA has not corrected its financial reports for the errors identified during its reconciliation of the awards for Federal fiscal years 2012 through 2017. Accordingly, the reports submitted by IDOA during State fiscal year 2017 are not accurate.

Criteria or Requirement:

According to 45 CFR 75.305(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than $72,621,000 in expenditures to follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State Agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented and be within the period of performance.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over cash management procedures to ensure cash draws properly reflect paid expenditures in accordance with IDOA procedures. In the event advance funding is requested by IDOA, timely reconciliations between cash advances and actual paid expenditures should be performed and subject to supervisory reviews at a sufficient level of provision to identify noncompliance with cash management requirements.

Cause:

In discussing these conditions with IDOA officials, they stated prior fiscal management had either not trained or incorrectly trained staff which led to issues with the accounting of the federal funds in previous fiscal years.

Possible Asserted Effect:

Failure to quantify and report cash advances to USDHHS in a timely manner results in noncompliance with Treasury regulations and unallowable costs being claimed to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-067)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA 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. We also recommend IDOA prepare reconciliations of cash advances in a timely manner and require supervisory reviews to be performed at a level precise enough to identify noncompliance with cash management requirements.

 (Continued)

Views of IDOA Officials:

IDOA had a change in fiscal management staff late in federal fiscal year 2016. Upon the change in IDOA management staff, it was recognized that there was a lack of internal controls. Management staff began revising procedures to create a segregation of duties between drawing of cash and processing vouchers. During this process it came to light that a reconciliation of federal fiscal year 2014 was necessary prior to closing out that year. Of the $4,678,964 potential overdraws mentioned above only $5,189 is attributable to federal fiscal year 2016, which is attributable to the change in mangement.

New management staff has implemented control procedures to facilitate that cash draws are performed in accordance with U.S. Treasury regulations and cash advances are reported and returned to USDHHS in a timely manner. IDOA has implemented control procedures that require supervisory reviews to be performed to identify noncompliance with cash management requirements.

The Department has trained staff on federal rules related to cash management as well as implemented procedures to track the timing of federal receipts and the release of vouchers to the Comptroller. This will facilitate that all cash management rules are adhered to. The Department will continue to improve procedures and training of staff. The Department has reviewed 45 CFR 75.305(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Department has updated the procedures and trained staff on this as well.

(Continued)

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $1,502,761

Finding 2017-068 – *Failure to Obligate Funds in Accordance with Period of Performance Requirements*

Condition Found:

IDOA expended funds under the Aging Cluster program which were not obligated within required timeframes.

IDOA passed through $40,779,000 in Aging Cluster funds to 13 Area Agencies on Aging (AAA) to deliver services to the State's aged population during State fiscal year 2017. AAAs submit annual plans to IDOA which include information about the services to be provided and the budgeted costs for the service period which coincides with the Federal fiscal year. The annual budgets prepared by the AAAs also include an estimate of the unspent prior year award which the AAA expects to spend in the following Federal fiscal year known as a carryover award. Funding and actual expenditures are monitored throughout the year and revisions are made to the AAA budgets, including providing additional carryover awards, as considered necessary.

Period of performance requirements for the Aging Cluster require IDOA to obligate funds during the Federal fiscal year for which they are awarded. During our testing, we noted the carryover awards issued by IDOA for the Federal fiscal year 2016 grant were not executed until November 2016. Additionally, we noted carryover awards were increased for several AAAs due to changes in spending estimates during fiscal year 2017. Increases to carryover awards for Federal fiscal year 2016 funding totaling $771,971 were made during Federal fiscal year 2017 after IDOA determined its subrecipients had not spent the entire amount obligated for the budget period ended September 30, 2016. Accordingly, carryover awards pertaining to Federal fiscal year 2016 totaling $1,502,761 were not obligated within the Federal fiscal year for which they were awarded.

Criteria or Requirement:

In accordance with the OMB Compliance Supplement, dated April 2017, the State is required to obligate funding by the end of the fiscal year in which they were awarded. 2 CFR 200.403 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under Federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be within the period of performance.

In addition, 2 CFR 200.303 requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls to ensure program funding is obligated within required timeframes or properly reported as unobligated funding to the awarding agency.

Cause:

In discussing these conditions with IDOA officials, they stated State of Illinois Budget Impasse directly created unavoidable delays in all processing of agreements in the State outside of the Department's historical timeframes.

Possible Asserted Effect:

Failure to obligate funds within required timeframes results in unallowable costs being charged to Federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-068)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA implement procedures to ensure grant funding is obligated within required timeframes.

Views of IDOA Officials:

The Department concurs with this finding and the recommentation. The Department has implemented a multi-year grant agreement in State fiscal year 2018 to safeguard that grant funds are obligated in the year in which they are received. The Department will continue to work on updating procedures to facilitate that the handling of carryover is in compliance with federal regulations.

(Continued)

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2017-069 – Inaccurate Certification of Maintenance of Effort (MOE) Expenditures

Condition Found:

IDOA did not accurately certify its maintenance of effort (MOE) expenditures under the Aging Cluster program to USDHHS and meet MOE requirements.

IDOA is required to spend for both services and administration under the Title III program within the Aging Cluster program at least the average amount of State funds it spent under the State plan for these activities for the past three previous fiscal years. IDOA is required to report the amount spent related to these activities to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. IDOA is also required to report the MOE expenditures on its semi-annual SF-425 report.

During our testing of the MOE requirement, we noted IDOA reported and certified it had paid MOE expenditures of $5,306,468 in Federal fiscal year 2016 which IDOA stated was an amount equal to the average of the previous three year's expenditures. However, IDOA did not determine the three year average based upon the actual State funded expenditures for each year in the three year period as IDOA passed through State funded Aging Cluster program funds of approximately $20 million annually. Accordingly, IDOA did not properly determined whether it has met, not met, or exceeded its MOE requirements.

We also noted the amounts reported on the semi-annual Federal Financial Report (SF-425) as the total recipient share required exceeded $7.3 million annually. Additionally, the recipient share of expenditure reported in financial reports submitted in Federal fiscal year 2016 were revised as follows from the amounts previously reported:

Program Title	Federal Fiscal Year	Amount Reported 3/31/2016	Amount Reported 9/30/2016	Difference
Title III – Support Services	2014	$19,330,043	$3,399,918	$15,930,125
Title III – CM	2014	7,403,860	2,280,239	5,123,621
Title III – HD	2014	22,227,567	1,649,132	20,578,435
Title III – Support Services	2015	18,428,329	2,978,403	15,449,926
Title III – CM	2015	7,353,490	2,626,832	4,726,658
Title III – HD	2015	21,668,414	1,600,307	20,068,107

Program Title	Federal Fiscal Year	Amount Reported 3/31/2016	Amount Reported 9/30/2016	Difference
Title III – Support Services	2016	$6,312,462	$2,177,068	$4,135,394
Title III – CM	2016	4,136,127	2,958,505	1,177,622
Title III – HD	2016	9,313,005	1,616,190	7,696,815

IDOA was unable to reconcile the differences in the amounts reported on the SF-425 reports, the schedule supporting the MOE certification, and IDOA records relative to State funded Aging Cluster expenditures provided for audit.

Criteria:

According to 45 CFR 1321.49, the State is required to spend under the State plan for both services and administration at least the average amount of State funds spent under the plan for the three previous fiscal years. Program Instruction Area on Aging Program Instruction (AoA-PI-14-04) requires the State to submit an annual certification of the amount of MOE expenditures for the federal fiscal year and a statement whether the MOE requirement was met, not met, or exceeded. The terms and conditions of the most recent grant awards for each open federal fiscal year (dated September 7, 2017, September 1, 2016, August 20, 2015, and August 26, 2014) require the State to complete a SF-425 report and supplemental form on a semi-annual basis.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure MOE expenditure requirements are met and accurately reported in the federal financial reports and supervisory reviews a performed and documented.

Cause:

In discussing these conditions with IDOA officials, they stated they disagree with the finding

Possible Asserted Effect:

Failure to accurately certify and report the level of maintenance of effort expenditures prevents the USDHHS from effectively monitoring and evaluating the performance of the Title III Program, and could result in USDHHS improperly allocating future funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA 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.

Views of IDOA Officials:

The Department disagrees with this finding as the MOE was accurately certified and accepted by Administration for Community Living (ACL). In 2017 the Department implemented a new tracking methodology and modified their procedures which will create consistency regardless of staff turnover and availability of staff to train. This procedure also includes supervisor approval before reports are submitted.

The finding claims that the MOE is inaccurately reported and further claims that the Department did not properly determined whether it has met, not met, or exceeded its MOE requirements. The finding further indicates that internal controls do not exist to facilitate the accuracy of reporting.

Internal procedures were solidified and put in place, as well as used to generate the MOE, also the MOE certification is reviewed by ACL for accuracy before acceptance. Procedures and backup data were provided to the auditors electronically and by hard copy during the audit engagement which in the finding indicates they do not exist.

The guidance below provides further clarification regarding MOE.

AOA Fiscal Guide
(8) MAINTENANCE OF EFFORT FOR TITLE III
Sec. 309(c) and 45 CFR Part 1321.49 of the regulations. The maintenance of effort for Title III expenditures from state sources must not be less than the average of the three previous fiscal year certifications. Any amount of state resources included in the Title III maintenance of effort certification that exceeds the minimum amount mandated becomes part of the permanent maintenance of effort. Excess state match does not become part of the maintenance of effort unless the state certifies it as such.

MOE is based on General Revenue Spending in support of Older American Cluster programming. The portion of the 425 that has any impact on the MOE is in the 425 supplemental that calculates Match for the Area Agencies and the State. MOE must be at the minimum required match for the State of Illinois. The total for Sate Match (services and Admin) for FFY16 was $3.8 million which is the State required portion of the overall match for the cluster grant. Because the requirement for the MOE Certification is no less than the average of the previous 3 years reported, our MOE is higher than our required match for that year but equal to the average of the previous 3 years reported for MOE. Over Match reported on the 425 does not automatically become part of the MOE. The matter of reporting above the minimum required is at the States discretion. Since the Department did submit their MOE and did select meets the minimum requirement they are in compliance with Federal regulations.

Auditors' Comment:

As discussed in the finding above, IDOA is required to report the amount spent for both services and administration under the Title III program to USDHHS and to certify if the amount is less than, equal to, or more than the required leve of MOE. IDOA could not provide authoritative guidance supporting its position that the State is only required to report and certify an amount equal to the average expenditures for the past three years. While a letter addressed to another State was provided to us by IDOA, we were unable to determine if the specific methodology used by the entity to which the letter was addressed is consistent with that used by Illinois.

Additionallly, as discussed above, we were provided with documentation that was inconsistent with the information provided in the prior audit relative to the MOE and matching amounts reported by IDOA. IDOA's response relative to these inconsistencies was that a new methodology was implemented in 2017. A reconciliation was not provided for the differences noted.

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-070 – *Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of Aging Cluster Program*

Condition Found:

IDOA did not perform a risk assessment of subrecipients of the Aging Cluster program as required by the Uniform Guidance. Additionally, IDOA did not perform any on-site programmatic reviews during the fiscal year for Aging Cluster subrecipients and further did not perform fiscal on-site reviews in accordance with its established monitoring procedures.

IDOA passed through approximately $40,779,000 of federal funding under the Aging Cluster program to 13 area agencies on Aging (subrecipients) during the year ended June 30, 2017. Beginning for all new federal awards (as well as any amendments to existing awards as identified by the federal agency) with effective dates on or after December 26, 2014, IDOA was required to perform a risk assessment to establish appropriate monitoring procedures based upon the risks inherent at each subrecipient. The Uniform Guidance requires the risk assessment procedures to include, among other things, the results of recent audits/reviews and the amount of federal funding passed through to the subrecipients. During our audit procedures, we noted IDOA had not amended its existing approach to monitoring its subrecipients. Specifically, we noted IDOA's subrecipient monitoring procedures for all subrecipients consists of performing single audit report desk reviews, reviewing periodic financial reports submitted by subrecipients, performing fiscal on-site reviews on a rotational basis (every 2 years), and performing programmatic on-site reviews once every 3 years (in conjunction with the review and approval of the subrecipient's 3-year Area Plan on Aging).

Additionally, during our review of on-site monitoring reviews performed by IDOA for the Aging Cluster program during the year ended June 30, 2017, we noted the following deficiencies in the monitoring procedures performed by IDOA for four subrecipients sampled (with expenditures of $19,426,000):

- Programmatic on-site reviews were not performed for any of the subrecipients sampled during the year ended June 30, 2017. On-site reviews were last performed for these subrecipients in fiscal year 2014. Upon further review, we noted on-site reviews have not been performed for any of the 13 subrecipients since fiscal year 2014.
- Corrective action plans (CAPs) were not obtained for two subrecipients in our testing over fiscal on-site reviews. As of the date of our testwork (February 9, 2018), IDOA has not followed up with

the subrecipient to obtain the CAPs. Amounts passed through to these two subrecipients during the year ended June 30, 2017 were $15,793,000.

- For one subrecipient fiscal on-site reviews, the review file did not contain evidence that the CAP was reviewed and approved and the file was closed out. Amounts passed through to this subrecipient during the year ended June 30, 2017 was $2,185,000.

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statues, regulations and the terms and conditions of the subaward; and that the subaward performance goals are achieved. Additionally, according to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring on-site monitoring procedures are performed and documented for Aging Cluster subrecipients.

Cause:

In discussing these conditions with IDOA officials, they stated corrective action was planned for 2018.

Possible Asserted Effect:

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA: (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.

Views of IDOA Officials:

The Department concurs with the finding and recommendation and has implemented risk assessment procedures required by the Uniform Guidance for fiscal year 2018 and going forward both for Fiscal and Program. The Department will continue to review its current policies and procedures for monitoring the Aging Cluster program subrecipients and implement changes necessary to carry out the requirements of the Uniform Guidance. The Department is revising its procedures on on-site reviews so that all reviews are planned and performed appropriately.

In section 1000 of the Department's AAA policy and Procedures Manual, it outlines that on-site visits and reviews of the Area Agencies on Aging will be conducted a minimum of once during the Area Plan cycle which has been defined by Department on Aging policy to be a three-year time period. Office of Older American Services agrees that we need to implement a risk assessment process for conducting on-site reviews. Some Area Agencies on Aging may need on-site reviews more often than once during the Area Plan cycle.

 (Continued)

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-071 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

IDOA did not adequately review single audit reports received from its subrecipients for the Aging Cluster program on a timely basis.

IDOA requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDOA Division of Finance and Administration staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDOA records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e. unmodified, modified, or adverse) and issuing management decisions on any finding applicable to IDOA programs reported within required timeframes. A desk review checklist is used to document the review of the subrecipients' single audit reports.

During our testing of a sample of single audit desk review files for 6 subrecipients (with expenditures of $28,582,000), we noted IDOA did not prepare a single audit desk review checklist to evidence the review of the single audit report for one subrecipient (with expenditures of $8,270,000).

IDOA's subrecipient expenditures under the Aging Cluster program for the year ended June 30, 2017 were $40,779,000.

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure Single Audit reports are reviewed and documented in a timely manner.

Cause:

In discussing these conditions with IDOA officials, they stated a lack of oversight of the personnel performing single audit desk reviews resulted in the undocumented review.

Possible Asserted Effect:

Failure to complete and document reviews of subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2017-071)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA establish procedures to ensure subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner.

Views of IDOA Officials:

The Department concurs with this finding and accepts the recommendation. We will revise the procedures to facilitate that subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner. We will add a procedure that all reviews are done and verified by an independent staff person as well. Procedures will also be updated to include communication with subrecipients regarding findings and corrective action plans are well documented and followed up on.

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($41,973,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2017-072 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDOA did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Aging Cluster.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOA's financial records. Specifically, we noted the following differences between amounts provided for audit and the SEFA expenditures initially reported to the IOC for the Aging Cluster for the year ended June 30, 2017:

SEFA Caption	Amounts Reported on the Final Expenditure Pattern	Amounts Initially Reported on the SEFA	Difference
Expenditures	$41,973,000	$43,032,000	$1,059,000
Amounts passed through to subrecipients	40,779,000	40,762,000	(17,000)

Upon further testing, we noted the difference in the expenditure amounts reported to the IOC was due to an adjustment recorded to eliminate excess revenue over expenditures in one of the accounting funds used by IDOA. However, this entry did not represent valid federal expenditures for the Aging Cluster and should not have been reported as such. Accordingly, we proposed an entry to reduce Aging Cluster expenditures which was reflected in the final SEFA.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA is complete and accurate.

Cause:

In discussing these conditions with IDOA officials, they stated the error identified above was a result of an adjustment made by the IOC.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

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

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA.

Views of IDOA Officials:

The Department concurs that the adjustment should not have been made to the Aging Cluster. The Department has established procedures to accurately report federal expenditures, including amounts passed through to subrecipients, and used to prepare the SEFA. The Department will continue to strengthen and enhance the procedures over expenditures and the reporting of them. The Department has trained and will continue to enhance the training given to staff on federal rules related to cash management as well as implementing procedures to track the timing of federal receipts and the release of vouchers to the Comptroller. This will facilitate that all cash management rules are adhered to.

Name of Federal Program or Cluster (CFDA #):

Supplemental Nutrition Assistance Program Cluster (10.551/10.561):

Award Number (Federal Fiscal Year/Award Year)			
2015IQ390342 (2015)	2015IE251842 (2015)	2016IQ390342 (2016)	2016IQ750342 (2016)
2016IS251442 (2016)	2016IS251942 (2016)	2016IS252042 (2016)	2016IS803642 (2016)
2016IS802642 (2016)	2016IS806942 (2016)	2017IS802642 (2017)	2017IS806942 (2017)
2017IQ750342 (2017)	2017IS251442 (2017)	2017IS251942 (2017)	2017IS252042 (2017)
2017IS803642 (2017)	2017IQ390342 (2017)		

Child Nutrition Cluster (10.553/10.555/10.556/10.559):

Award Number (Federal Fiscal Year/Award Year)			
201616N109942 (2016)	201717N109942 (2017)		

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):

Award Number (Federal Fiscal Year/Award Year)			
2016IW100342 (2016)	2016IW100642 (2016)	2017IW100342 (2017)	2017IW100642 (2017)

Child and Adult Care Food Program (10.558):

Award Number (Federal Fiscal Year/Award Year)			
201616N109942 (2016)	201616N202042 (2016)	201717N109942 (2017)	201717N202042 (2017)
201716N202042 (2017)	201717N105042 (2017)		

Community Development Block Grant - State-Administered Small Cities Program Cluster (14.228):

Award Number (Federal Fiscal Year/Award Year)			
B-01-DC-17-0001 (2001)	B-05-DC-17-0001 (2005)	B-07-DC-17-0001 (2007)	B-08-DC-17-0001 (2008)
B-10-DC-17-0001 (2010)	B-11-DC-17-0001 (2011)	B-12-DC-17-0001 (2012)	B-13-DC-17-0001 (2013)
B-14-DC-17-0001 (2014)	B-15-DC-17-0001 (2015)	B-08-DF-17-0001 (2008)	B-08-DI-17-0001 (2008)

Unemployment Insurance Program (17.225/17.225ARRA):

Award Number (Federal Fiscal Year/Award Year)		
UI26532XW0	UI279742E0	UI26532XE0
UI27904XW0	UI298396S0	UI279742VO
UI26532WK0	UI26393SZ0	UI279742U0
UI26532XW1	UI26393SZ0	UI298947J0
UI279743KO	UI26393SZ0	UI298947I0
UI265322E0	UI281293K0	
UI279743K1	UI302157W0	
UI298397W0	UI278603K1	
UI279746S0	UI26532XF0	

Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.219):
Project Number

0000101	0071067	0175031	0334014	0591029	0836032	3000099	4003415	4009317	6000327	9003883	00D1940
0401015	0071068	0181046	0334023	0592053	0836033	3000100	4003416	4009318	6000335	9003889	00D1941
0401016	0071123	0181056	0334025	0594007	0840068	3000101	4003419	4009319	6000336	9003893	00D1942
9149003	0071125	0181060	0334026	0595033	0840069	3000102	4003422	4009321	6000339	9003894	00D1943
000S800	0072006	0181064	0335017	0595034	0840070	3146001	4003423	4009322	6000345	9003895	00D1947
000V007	0072401	0182103	0335018	0597104	0855008	3200000	4003425	4009323	6000347	9003914	00D1948
0001117	0072402	0183317	0335019	0597105	0858101	3200003	4003426	4009325	6000348	9003921	00D1949
0001119	0072403	0183320	0336031	0599026	0858300	3246004	4003427	4009331	6000349	9003922	00D1950
0004913	0072404	0184108	0336036	0604025	0866104	3260003	4003428	4009333	6000350	9003923	00D1952
0005056	0072405	0185010	0336051	0607081	0866105	3261001	4003432	4009334	6000352	9003928	00D1953
0005125	0073068	0185035	0336100	0607082	0869106	3513002	4003433	4009337	6000359	9003930	00D1958
0005128	0074010	0185036	0337006	0607083	0870012	3514010	4003436	4009339	6000363	9003934	00D1960
0006034	0074300	0185037	0337011	0608022	0870015	3519001	4003437	4009341	6000364	9003940	00D1965
0007081	0074305	0185038	0338044	0611111	0870016	3531001	4003441	4009348	6000365	9003948	00D1968
0009222	0074306	0187042	0338046	0612018	0873035	3537006	4003442	4009350	6000367	9003951	00D1971
0009224	0074307	0187043	0338048	0612019	0877014	3545007	4003443	4009356	6000369	9003952	00D1973
0010053	0074308	0187044	0338049	0613021	0877015	3561001	4003446	4009358	6000370	9003955	00D1976
0011097	0074309	0188122	0338052	0614035	0881020	3562007	4003448	4052001	6000373	9003959	00D1977
0011098	0074310	0191067	0338055	0614108	0881021	3565005	4003450	4056001	6000374	9003968	00D1980
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0011124	0074314	0193039	0338058	0623033	0884106	3578010	4003463	4071001	6000377	9003983	00D1998
0011125	0074315	0193064	0338075	0623034	0885046	3578011	4003466	4071002	6000383	9003990	00D2116
0011126	0074316	0193067	0339029	0623035	0885047	3583001	4003473	4072001	6000384	9003991	00D2141
0011127	0074317	0193069	0339032	0626007	0885049	3716012	4003474	4096001	6000385	9003992	00D2153
0011130	0074318	0194103	0339033	0626008	0885051	3730003	4003475	4099002	6000386	9003997	00D2157
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0015052	0074323	0197123	0341024	0627015	0903216	3887006	4003482	5000994	6000401	9142006	00D2161
0015053	0075152	0197124	0341025	0631016	0904209	3887007	4003483	5007021	6000408	9166019	00D2163
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0017129	0075180	0197129	0341035	0631018	0917110	3887009	4003485	5010013	6000410	000S594	00D3063
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0017133	0077056	0197137	0341055	0635008	0919114	3902003	4003488	5011230	6000412	000S703	00D3066
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0020073	0080400	0212108	0343026	0646080	0944100	4003009	4003499	5011311	6000431	000S907	00D3090
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0027047	0089123	0270006	0345060	0669036	1312001	4003050	4003529	5011384	6000476	000S951	00D5109
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0029205	0089130	0270404	0345062	0673027	1320004	4003058	4003532	5011386	6000484	000S954	00D5112
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0033056	0089169	0290203	0347028	0682011	1364003	4003083	4003550	5011408	7810001	000S962	00D6110
0033100	0089170	0294109	0347030	0685036	1374004	4003085	4003551	5011411	7825005	000S980	00D6114
0033102	0089173	0297007	0347031	0686012	1375002	4003087	4003552	5011417	7878003	000S982	00D6115
0033103	0089174	0297025	0348035	0686013	1386005	4003092	4003555	5011422	8003043	000S983	00D6118

Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.219):
Project Number

0033105	0089175	0301076	0348050	0686111	1386102	4003093	4003558	5011424	8003051	000S984	00D6119
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0035047	0090400	0303055	0348052	0687008	1388001	4003107	4003560	5011433	8003167	000S988	00D6122
0037048	0090401	0303056	0348053	0692012	1388103	4003110	4003567	5011486	8003309	000S989	00D6123
0037060	0090402	0303058	0348055	0692104	1405107	4003116	4003572	5012021	8003348	000S990	00D6125
0037061	0090403	0303059	0348056	0693067	1416001	4003121	4003575	5016042	8003382	000S993	00D7027
0037062	0091072	0303060	0349001	0693068	1419006	4003124	4003577	5016043	8003426	000S995	00D7035
0037064	0091073	0304045	0349016	0693072	1423104	4003136	4003578	5017048	8003453	000S998	00D7046
0037130	0091074	0304047	0349017	0694114	1477104	4003138	4003579	5017051	8003474	000S999	00D7053
0039037	0094401	0304048	0349111	0697035	1488110	4003149	4003581	5018019	8003520	000V002	00D7058
0039038	0094402	0304050	0350040	0698036	1523102	4003150	4003582	5021026	8003612	000V004	00D7059
0039039	0094403	0305047	0350042	0698037	1527034	4003153	4003584	5024032	8003627	000V010	00D7060
0039040	0094405	0305049	0351024	0698050	1527036	4003154	4003587	5025048	8003661	000V011	00D7061
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0041135	0095054	0307033	0351027	0704142	1527041	4003156	4003593	5032030	8003810	000V017	00D7063
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0043030	0099054	0307040	0358008	0711014	1570001	4003186	4003598	5040008	8003851	000V029	00D7069
0043031	0099055	0308042	0358108	0714021	1573001	4003187	4003606	5041018	8003965	000V030	00D7073
0043032	0099056	0308043	0358109	0717034	1574001	4003188	4003607	5041019	8003971	000V031	00D8110
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0055409	0105062	0320041	0400104	0735112	1806001	4003252	4003723	5099070	9003179	000V060	01D1004
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0055450	0111049	0322092	0407005	0741310	1857125	4003257	4003734	5099104	9003258	000V063	01D1015
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0055456	0111066	0322110	0452126	0745305	1937001	4003271	4003809	5106007	9003276	000V069	01D1050
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0055458	0115069	0322114	0474105	0749026	1964003	4003277	4003852	5146079	9003464	000V071	01D1059
0055475	0115070	0322300	0474106	0749027	1984002	4003278	4003972	5146080	9003482	000V072	08IL026
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0057005	0116060	0323034	0502015	0753042	2014037	4003285	4008039	5146088	9003510	000V075	FLAP003
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0057040	0119074	0325059	0502111	0758014	2014095	4003287	4009058	5181048	9003517	000V077	IL07023
0057055	0119077	0325061	0505027	0760017	2014117	4003289	4009077	5181049	9003527	000V078	IL08031
0057100	0121053	0326083	0505028	0761011	2014131	4003291	4009078	5181050	9003533	000V079	IL09025
0057302	0121062	0326088	0506014	0761013	2014159	4003293	4009085	5181053	9003542	000V081	IL09045
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0057307	0125005	0326091	0522010	0776031	2224106	4003299	4009096	5227056	9003548	000V085	IL11005
0057309	0125019	0326093	0522120	0776032	2428001	4003301	4009100	5227057	9003555	000V086	IL12001
0057310	0126008	0326094	0524001	0777018	2462105	4003303	4009108	5314001	9003561	000V088	IL12002
0057311	0131055	0326095	0524005	0777119	2463001	4003304	4009129	5605002	9003563	000V089	IL12006
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(Continued)

STATE OF ILLINOIS
Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2017

Name of Federal Program or Cluster (CFDA #)
Highway Planning and Construction Cluster (20.205/20.219):
Project Number

0057313	0140004	0326099	0527103	0779104	2585102	4003307	4009138	5855004	9003589	00D1017	0013100
0057314	0140669	0326102	0531110	0781032	2600104	4003314	4009140	6000018	9003596	00D1673	0015100
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0057320	0141076	0327061	0541015	0782013	2701104	4003322	4009148	6000167	9003607	00D1763	2009010
0057321	0143037	0327062	0546110	0782014	2705086	4003323	4009158	6000173	9003619	00D1768	2009012
0057325	0143039	0327064	0548105	0782121	2706402	4003324	4009165	6000181	9003631	00D1780	2011020
0057326	0143055	0327065	0551084	0783106	2711020	4003326	4009168	6000194	9003658	00D1783	2011032
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0057401	0143060	0327103	0553159	0785033	2796002	4003336	4009185	6000213	9003688	00D1816	2013053
0057402	0143061	0330065	0554177	0785035	2796102	4003337	4009187	6000215	9003689	00D1817	2013055
0057403	0143062	0330069	0554326	0788006	2815105	4003338	4009195	6000230	9003698	00D1818	2013057
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0063064	0149100	0330074	0556246	0799003	2857012	4003344	4009217	6000257	9003706	00D1827	0646078
0063112	0149101	0330075	0557260	0800012	2870001	4003345	4009218	6000264	9003717	00D1833	0669035
0063113	0155012	0330076	0558008	0800124	2882100	4003349	4009222	6000265	9003725	00D1834	0698037
0063114	0155101	0331055	0559007	0803135	2887003	4003350	4009230	6000266	9003738	00D1840	0699105
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0067085	0167054	0331071	0573311	0808040	3000052	4003377	4009265	6000298	9003782	00D1882	3000092
0067143	0167057	0331072	0573312	0808041	3000053	4003378	4009266	6000299	9003790	00D1887	3000093
0067151	0167071	0331073	0573500	0808042	3000054	4003379	4009267	6000300	9003800	00D1888	3000094
0067152	0167074	0331074	0574207	0809004	3000055	4003384	4009268	6000301	9003821	00D1893	3000095
0067154	0167079	0331120	0574208	0809105	3000073	4003385	4009276	6000305	9003835	00D1899	3000097
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0070407	0174120	0332125	0591023	0832015	3000097	4003411	4009315	6000325	9003870	00D1921	0020069
0071066	0175029	0333001	0591028	0836031	3000098	4003412	4009316	6000326	9003882	00D1930	5093161
DTFH15R10X5008FA		5181057									

(Continued)

Name of Federal Program or Cluster (CFDA #)

Airport Improvement Program (20.106):

Award Number (Federal Fiscal Year/Award Year)			
3-17-0000-007	3-17-0068-084	3-17-0096-63	3-17-SBGP-121 D
3-17-0006-063	3-17-0068-69	3-17-0096-64	3-17-SBGP-123 D
3-17-0006-58	3-17-0068-71	3-17-0146-032	3-17-SBGP-124 D
3-17-0006-64	3-17-0068-75	3-17-SBGP-100	3-17-SBGP-125 D
3-17-0016-029	3-17-0068-76	3-17-SBGP-101	3-17-SBGP-126 D
3-17-0016-030	3-17-0068-77	3-17-SBGP-102	3-17-SBGP-128 D
3-17-0016-031	3-17-0080-062	3-17-SBGP-103	3-17-SBGP-130 D
3-17-0022-128	3-17-0080-58	3-17-SBGP-104	3-17-SBGP-133 A
3-17-0022-134	3-17-0080-59	3-17-SBGP-105 A	3-17-SBGP-133 N
3-17-0022-151	3-17-0080-60	3-17-SBGP-105 N	3-17-SBGP-136 D
3-17-0025-084	3-17-0080-61	3-17-SBGP-108	3-17-SBGP-137 D
3-17-0025-086	3-17-0085-036	3-17-SBGP-109	3-17-SBGP-64
3-17-0025-087	3-17-0085-037	3-17-SBGP-110	3-17-SBGP-74
3-17-0025-088	3-17-0088-074	3-17-SBGP-111 A	3-17-SBGP-76
3-17-0065-030	3-17-0088-077	3-17-SBGP-111 N	3-17-SBGP-80
3-17-0065-031	3-17-0088-078	3-17-SBGP-112 D	3-17-SBGP-87
3-17-0065-032	3-17-0088-70	3-17-SBGP-113 D	3-17-SBGP-88
3-17-0065-033	3-17-0088-71	3-17-SBGP-115 D	3-17-SBGP-91
3-17-0068-078	3-17-0096-066	3-17-SBGP-116 D	3-17-SBGP-94
3-17-0068-079	3-17-0096-068	3-17-SBGP-117 D	3-17-SBGP-95
3-17-0068-080	3-17-0096-069	3-17-SBGP-118 D	3-17-SBGP-98
3-17-0068-081	3-17-0096-59	3-17-SBGP-120 A	3-17-SBGP-99
3-17-0068-083	3-17-0096-62	3-17-SBGP-120 N	

Clean Water Loan Program (66.458):

Award Number (Federal Fiscal Year/Award Year)			
CS17000113 (2013)	CS17000114 (2014)	CS17000115 (2015)	CS17000116 (2016)

Drinking Water Loan Program (66.468):

Award Number (Federal Fiscal Year/Award Year)			
FS98577713 (2013)	FS98577714 (2014)	FS98577715 (2015)	FS98577716 (2016)

Title I, Part A Cluster (84.010):

Award Number (Federal Fiscal Year/Award Year)		
S010A140013 (2014)	S010A150013 (2015)	S010A160013 (2016)

Special Education Cluster (84.027/84.173):

Award Number (Federal Fiscal Year/Award Year)		
H027A140072 (2014)	H027A150072 (2015)	H027A160072 (2016)
H173A140101 (2014)	H173A150101 (2015)	H173A160101 (2016)

Federal Family Education Loan Program (84.032):

Award Number (Federal Fiscal Year/Award Year)
None

Career and Technical Education (84.048):

Award Number (Federal Fiscal Year/Award Year)		
V048A130013 (2013)	V048A140013 (2014)	V048A150013 (2015)

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):

Award Number (Federal Fiscal Year/Award Year)		
H126A150018 (2015)	H126A160018 (2016)	H126A170018 (2017)

Twenty-First Century Community Learning Centers (84.287):

Award Number (Federal Fiscal Year/Award Year)		
S287C140013 (2014)	S287C150013 (2015)	S287C160013 (2016)

Improving Teacher Quality State Grants (84.367):

Award Number (Federal Fiscal Year/Award Year)		
S367A140012 (2014)	S367A150012 (2015)	S367A160012 (2016)

Name of Federal Program or Cluster (CFDA #)

School Improvement Grants (84.377/84.388ARRA):

Award Number (Federal Fiscal Year/Award Year)			
S377A110014 (2011)	S377A120014(2012)	S377A130014 (2013)	S377A140014 (2014)
S377A150014 (2015)			

Aging Cluster (93.044/93.045/93.053)

Award Number (Federal Fiscal Year/Award Year)			
12AAILT3SS (2012)	13AAILT3PH (2013)	15AAILT3SS (2015)	16AAILT3PH (2016)
12AAILT3CM (2012)	13AAILT3FC (2013)	15AAILT3CM (2015)	16AAILT3FC (2016)
12AAILT3HD (2012)	13AAILNSIP (2013)	15AAILT3HD (2015)	16AAILNSIP (2016)
12AAILT3PH (2012)	14AAILT3SS (2014)	15AAILT3PH (2015)	17AAILT3SS (2017)
12AAILT3FC (2012)	14AAILT3CM (2014)	15AAILT3FC (2015)	17AAILT3CM (2017)
12AAILNSIP (2012)	14AAILT3HD (2014)	15AAILNSIP (2015)	17AAILT3HD (2017)
13AAILT3SS (2013)	14AAILT3PH (2014)	16AAILT3SS (2016)	17AAILT3PH (2017)
13AAILT3CM (2013)	14AAILT3FC (2014)	16AAILT3CM (2016)	17AAILT3FC (2017)
13AAILT3HD (2013)	14AAILNSIP (2014)	16AAILT3HD (2016)	17AAILNSIP (2017)

Immunization Cooperative Agreements (93.268):

Award Number (Federal Fiscal Year/Award Year)	
NH23IP000722-05-01 (2017)	NH23IP000722-04-01 (2016)

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525):

Award Number (Federal Fiscal Year/Award Year)		
HBEIE120116 (2012)	HBEIE130158 (2013)	HBEIE150217 (2015)

Temporary Assistance for Needy Families Cluster (93.558):

Award Number (Federal Fiscal Year/Award Year)	
1602ILTANF (2016)	1702ILTANF (2017)

Child Support Enforcement (93.563):

Award Number (Federal Fiscal Year/Award Year)			
05-1604ILCSES (2016)	05-1604ILCEST (2016)	05-1704ILCEST (2017)	05-1704ILCSES (2017)

Low Income Heating Energy Assistance (93.568):

Award Number (Federal Fiscal Year/Award Year)		
G-1502ILLIEA (2015)	G-1602ILLIEA (2016)	G-1702ILLIEA (2017)

Child Care Development Fund Cluster (93.575/93.596):

Award Number (Federal Fiscal Year/Award Year)	
G1601ILCCDF (2016)	G1701ILCCDF (2017)

Child Welfare Services - State Grants (93.645):

Award Number (Federal Fiscal Year/Award Year)	
G-1601ILCWSS (2016)	G-1701ILCWSS (2017)

Foster Care - Title IV-E (93.658):

Award Number (Federal Fiscal Year/Award Year)	
1601ILFOST (2016)	1701ILFOST (2017)

STATE OF ILLINOIS
Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2017

Name of Federal Program or Cluster (CFDA #)

Adoption Assistance (93.659):

Award Number (Federal Fiscal Year/Award Year)			
1601ILADPT (2016)	1701ILADPT (2017)		

Social Services Block Grant (93.667):

Award Number (Federal Fiscal Year/Award Year)			
G1601ILSOSR (2016)	G1701ILSOSR (2017)		

Children's Health Insurance Program (93.767):

Award Number (Federal Fiscal Year/Award Year)			
05-1505IL5021 (2015)	05-1605IL5021 (2016)		

Medicaid Cluster (93.775/93.777/93.778/93.778ARRA):

Award Number (Federal Fiscal Year/Award Year)			
05-1605IL5ADM (2016)	05-1605ILIMPL (2016)	05-1605ILINCT (2016)	05-1605IL5MAP (2016)
05-1505ILBIPP (2015)	05-1705IL5ADM (2017)	05-1705ILIMPL (2017)	05-1705ILINCT (2017)
05-1705IL5MAP (2017)			

HIV Care Formula Grants (93.917):

Award Number			
6X08HA28022-01-00	6X07HA00013-23-04	6X09HA26780-01-02	

Block Grants for Prevention and Treatment of Substance Abuse (93.959):

Award Number (Federal Fiscal Year/Award Year)			
3B08TI010018-15 (2015)	2B08TI010018-16 (2016)	2B08TI010018-17 (2017)	

Social Security - Disability Insurance (96.001):

Award Number (Federal Fiscal Year/Award Year)			
1304ILDI00 (2013)	1404ILDI00 (2014)	1504ILDI00 (2015)	1604ILDI00 (2016)
1704ILDI00 (2017)			