

**Review: 4356
Statewide Single Audit
Year Ended June 30, 2010
Department of Human Services**

**FINDINGS/RECOMMENDATIONS – 10
Repeated – 7**

**Accepted – 5
Implemented – 5**

10-02. The auditors recommend DHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and State expenditures expended by other State agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program. (Repeated-2003)

Findings: IDHS does not have an adequate process for monitoring expenditures claimed under TANF and Child Care 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.

During the year ended June 30, 2010, IDHS used expenditures from other agencies to claim reimbursement for or satisfy maintenance of effort (MOE) requirements for the TANF and Child Care programs as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
Federal TANF	Department of Children and Family Services (DCFS)	\$234,674,103	\$573,086,000
Federal TANF	Illinois Student Assistance Commission (ISAC)	\$56,564,211	\$573,086,000
Federal TANF	Illinois Department of Revenue (IDOR)	\$16,818,345	\$573,086,000
Federal TANF	Department of Healthcare and Family Services (DHFS)	\$1,421,390	\$573,086,000
	Expending	Expenditures	Total

Program	State Agency	Claimed	Expenditures
TANF MOE	Department of Healthcare and Family Services (DHFS)	\$20,020,324	\$445,580,000
TANF MOE	Illinois State Board of Education (ISBE)	\$56,443,793	\$445,580,000
TANF MOE	Illinois Community College Board (ICCB)	\$3,171,987	\$445,580,000
Child Care MOE	Department of Children and Family Services (DCFS)	\$6,303,430	\$128,802,000

However, during testwork over the documentation of the monitoring procedures, auditors noted the following deficiencies:

- IDHS is not performing a detailed review of any costs claimed from expenditures reported by other State agencies.
- The interagency agreements with DHFS and DCFS are vague in nature and simply require the State agency to follow the applicable rules, regulations, and policies of the applicable federal program and provide all data, documents, reports, and information necessary for IDHS to manage the applicable federal programs. However, the specific federal regulations and requirements of the State Plan are not identified in the agreements.
- The questionnaires provided to IDHS by each of the State agencies did not include documentation of all areas applicable to the expenditures reported.

During FY10, auditors identified the following instances of non-compliance in testing of interagency expenditures which are reported as separate findings in this report for each of the respective agencies:

- Federal TANF expenditures provided by IDOR included amounts that did not qualify as allowable expenditures under the TANF regulations (see finding 10-12);
- Expenditures provided by DCFS under all programs identified above included expenditures to subrecipients for which DCFS has not established adequate monitoring procedures (see finding 10-37).

In discussing these conditions with IDHS officials, they stated this is due to lack of adequate staff with necessary skill set for monitoring interagency program expenditures.

Response: The Department agrees with the recommendation. We have enhanced our controls to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one Federal program. The Office of Contract Administration has scheduled and started conducting onsite reviews of program policy and procedures at each of the six affected agencies to be completed by June 30, 2011.

Updated Response: Corrective Action Implemented:

- The Office of Contract Administration (OCA) has conducted onsite reviews of program policy and procedures at each of the six affected agencies.
- The Office of Contract Administration (OCA) reviewed a sample of expenditures as they conducted their on-site review.

In the future, the Office of Fiscal Services, Bureau of Federal Reporting will conduct the reviews of expenditures.

- The interagency agreements have been reviewed by Legal. The Office of Fiscal Services, Bureau of Federal Reporting has been advised to obtain from the various other agencies the procedures they use and attach to the agreement.

Corrective Action to be completed:

- The Office of Fiscal Services, Bureau of Federal Reporting is currently in the process of obtaining from the various other agencies the procedures they use and attach to the agreement.

10-03. The auditors recommend DHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. (Repeated-2003)

Findings: IDHS is not performing “eligibility redeterminations” for individuals receiving benefits under TANF, Children’s Health Insurance Program (CHIP), and Medicaid programs in accordance with timeframes required by the respective State Plans.

During testwork over eligibility, auditors noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF, CHIP, and Medicaid Cluster programs. In evaluating the eligibility redetermination delinquency statistics, auditors noted the statistics for the CHIP and Medicaid Cluster programs do not appear to have improved as a result of implementing an inadequate passive redetermination process as reported in finding 10-13. The delinquency statistics by program for June of FY10 are as follows:

Program	Average Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF	1,501	33,029	4.54%
CHIP	30,636	746,276	4.11%
Medicaid Cluster	47,729	455,965	10.47%

Payments made on behalf of beneficiaries of the TANF, CHIP, and Medicaid Cluster programs totaled \$33 million, \$242 million, and \$8 billion, respectively, during FY10.

In discussing these conditions with IDHS officials, they stated this finding has repeated due to the TANF, CHIP, and Medicaid caseload increase from 1,213,653 to 1,270,933. This represents an increase of 57,280 cases. During FY10, casework staff decreased from 2,142 to 2,086. Given the significant increase in caseload, and the decrease in casework staff, and the speculation that casework staff will continue to decrease due to current fiscal constraints, improvements to redetermination currency will continue to be a challenge.

Updated Response: Accepted. Corrective Action to be Implemented:

- The Department of Human Services (DHS) is currently working with the Department of Health Care and Family Services (HFS) on implementing an online redetermination system. This will enable the department perform renewals more quickly and efficiently.
- Rollout is expected in December 2011.

10-04. The auditors recommend DHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program. (Repeated-2007)

Findings: IDHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the SNAP Cluster, TANF, Children's Health Insurance Program (CHIP), and Medicaid programs.

During testwork, auditors noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, the areas in which case files are maintained were generally disorganized and case files were stacked on or around file cabinets. Also, case files were generally available to all DHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations.

Additionally, during testwork over 240 case files selected relative to the TANF, CHIP, and Medicaid programs, auditors noted several delays in receiving case files due to the fact that case files had been transferred between local offices as the result of clients moving between service areas. One CHIP case record (out of 50 tested) could not be located for testing. Payments made on the behalf of beneficiaries of all these programs exceed \$11.2 billion.

In discussing these conditions with IDHS officials, they stated this is due to the lack of staff and file cabinets and/or file cabinet space in which to properly store case records.

Updated Response: Corrective Action to be completed:

Long Term:

- The DHS, Division of Human Capital Development (HCD) is implementing a document management system that will capture much of the information that is currently printed and placed in a paper file, and route it to an electronic file. This will reduce the overwhelming size and amount of files in the offices, and better track the location of case files.
- A Fall 2011 rollout of the document management system is anticipated.

10-05. The auditors recommend DHS review its current process for performing eligibility determinations and consider changes necessary to ensure procedures to verify whether beneficiaries have been convicted of a Class 1 or Class X felony are implemented. (Repeated-2006)

Findings: IDHS does not have adequate procedures in place to ensure individuals convicted of Class 1 or Class X drug felonies, probation and parole violators, and fugitive felons do not receive benefits under the TANF program.

During testwork, auditors noted IDHS' process for determining whether TANF applicants have been convicted of a Class 1 or Class X felony consists of applicants answering questions on the standard application which require a yes or no response. IDHS does not have procedures in place to corroborate the applicant's statements through cross matches with the Illinois Department of Corrections, Illinois State Police, or other mechanisms.

In discussing these conditions with IDHS officials, they stated this is due to the lack of cross match with other State agencies in order to better identify convicted drug felons.

Updated Response: Corrective Action to be Implemented:

Long Term:

- The Department is currently discussing the possibility of implementing a cross match with the Illinois State Police in order to better identify convicted Class 1 or X drug felons.
- On June 3, 2011, the Division of Human Capital Development (HCD) staff discussed the possible match with the State Police.
- As predicted, the cost would be high, and the accuracy of the match would be questionable. Discussions will continue with the State Police.
- The cost of the match would be prohibitive: During July, August, and September 2011, there was an average of 7,820 TANF applications submitted statewide. At

\$10 per inquiry, this would amount to a \$78,200 monthly cost. Additionally, for cases that have a positive match, there would be a 30 – 45 day wait for the Illinois State Police (ISP) conviction details.

10-06. The auditors recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained. (Repeated-2001)

Findings: IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Children’s Health Insurance Program (CHIP) and the Medicaid programs.

During testwork of 65 CHIP and 125 Medicaid beneficiary payments, auditors selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided and noted the following exceptions:

- In 24 CHIP case files and seven Medicaid case files, IDHS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.
- In two CHIP case files, IDHS could not locate adequate documentation supporting that the required State Online Query (SOLQ) and Division of Child Support Enforcement (DCSE) cross match procedures were performed.
- In five CHIP case files, IDHS could not locate adequate documentation supporting income verification procedures were performed. In lieu of collecting copies of pay stubs to verify income, the caseworkers verbally confirmed income information, relied on client handwritten notes, or used income verified on previous applications.

In each of the case files missing documentation, each of the eligibility criteria was verified through additional supporting documentation in the client’s paper and electronic case files. Therefore all information necessary to establish and support the client’s eligibility for the period was available; however, the respective application and/or source documentation related to the redetermination/income verification procedures performed including evidence of case worker review and approval could not be located.

In discussing these conditions with IDHS officials, they stated the finding is due to lack of adequate staffing and proper filing storage devices.

Response: The Department agrees with the recommendation. We will continue to ensure that staff understands the importance of proper and accurate filing processes. A rapidly growing caseload coupled with the inability to hire additional staff to handle the caseload presents the potential for paper filing errors and backlog. In the fall of 2011, the Department is planning to pilot a document management system that will capture much of the information that is currently printed and placed in a paper file, and route it to an

electronic file. This will reduce the overwhelming size and amount of files in the offices, and better track the location of case files and their contents.

Updated Response: Corrective Action to be Implemented:

- The DHS, Division of Human Capital Development (HCD) is implementing a document management system that will capture much of the information that is currently printed and placed in a paper file, and route it to an electronic file. This will reduce the overwhelming size and amount of files in the offices, and better track the location of case files.
- A Fall 2011 rollout of the document management system is anticipated.

10-07. The auditors recommend DHS notify all subrecipients in writing of the specific federal program name, award number, CFDA number, and amount of non-cash assistance on a quarterly basis. Auditors also recommend IDHS implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients. (Repeated-2009)

Findings: IDHS does not have adequate procedures to communicate non-cash expenditures to its subrecipients.

During testwork over the award notification process for subrecipients of the WIC, TANF, Child Care, and Title XX programs, auditors noted IDHS only reports the non-cash assistance attributable to each subrecipient on an annual basis. Because IDHS does not identify the specific federal program name, award number, catalog of federal domestic assistance (CFDA) number, or amount of non-cash assistance until several months after the end of the State's fiscal year, subrecipients cannot prepare their SEFAs or have OMB Circular A-133 audits performed until the information is received from IDHS.

In addition, IDHS expended ARRA funding for certain beneficiary payments made under the Child Care program which were not separately identified as ARRA funded in the non-cash assistance notifications sent to Child Care subrecipients. Further, IDHS' grant agreements for the Child Care program did not identify the requirement for subrecipients to separately report ARRA funded non-cash program expenditures on their schedule of expenditures federal awards (SEFA) and data collection form.

In discussing these conditions with IDHS officials, they stated procedures for reporting non-cash assistance to providers were still being established and implemented during fiscal year 2010.

Updated Response: Corrective Action Implemented:

- We have implemented procedures to ensure ARRA information and requirements are properly communicated to its subrecipients on quarterly basis.

WIC non-cash

- The Office of Contract Administration in conjunction with WIC program staff have prepared and mailed the four consecutive quarterly reports for FY11 (11/17/10, 2/9/11, 5/16/11, and 9/16/11).

Child Care non-cash

- The Office of Contract Administration in conjunction with Child Care program staff and Fiscal services staff have prepared and mailed four consecutive quarterly reports for FY11 (5/3/11 – reported two quarters, 5/20/11 and 9/16/11).

10-08. The auditors recommend DHS revise the expenditure report and related instructions provided to its subrecipients to ensure an appropriate level of information is obtained by IDHS to monitor the expenditures and matching requirements of the SNAP Cluster and to properly determine amounts to be reimbursed to the subrecipients. (Repeated-2009)

Findings: IDHS does not have adequate procedures in place to ensure expenditures submitted by its subrecipients are allowable under program regulations for the SNAP Cluster.

During testwork, auditors noted the expenditure report used by the subrecipient of the SNAP Cluster is highly summarized and does not provide sufficient information for IDHS to properly monitor the subrecipient's expenditures and matching contributions or compute the amount to be reimbursed. Specifically, the report does not separately identify in-kind contributions from other expenditures used to meet the matching requirement. As a result, the amount reimbursed by IDHS includes in-kind contributions from local governments which are not allowed to be reimbursed from federal sources. In-kind contributions included in the expenditure reports submitted for quarters ending on or during the year ended June 30, 2010 approximated \$2.4 million.

In discussing these conditions with IDHS officials, they stated this is due to subrecipient expenditures and matching requirements not being properly monitored.

Response: The Department agrees with the recommendation. Beginning Oct. 1, 2010 the SNAP-Ed program changed significantly. The program was revised by USDA to become a 100% reimbursement program. States will no longer be required to document any matching costs. As a result, the program does not need to pursue additional documentation of match. Documentation from USDA outlining the changes to the program was provided to the auditors during the exit conference.

Updated Response: Corrective Action Implemented:

- The Department has established procedures to review SNAP-Ed expenditures requirements.

- Beginning October 1, 2010 the SNAP-Ed program changed significantly.
- The program was revised by USDA to become a 100% reimbursement program. States will no longer be required to document any matching costs.
- As a result, the program does not need to pursue additional documentation of match.
- Documentation from USDA outlining the changes to the program was provided to the auditors during the exit conference.

10-09. The auditors recommend DHS review its current process for sanctioning beneficiaries and consider changes necessary to ensure sanctions are only applied when appropriate.

Findings: IDHS does not have adequate procedures to ensure that TANF Sanction Procedures are properly followed for individuals receiving benefits under the program who were the adult custodial parent of a child under six when child care was not available.

During testwork over 40 cases of single custodial parents caring for a child who is under six years of age whose benefits were reduced or terminated, auditors noted one case in which a client was sanctioned prior to failing to comply with program requirements. Upon further investigation of this case, the individual ultimately failed to attend a required appointment subsequent to the sanction being applied to her case. The case record did not include and IDHS could not provide an explanation for the discrepancy in the timing of these sanctions.

In discussing these conditions with IDHS officials, they stated the finding is due to caseworker error.

Updated Response: Corrective Action Implemented:

- Sanction policy and procedure are set forth in a clear, concise manner in the Cash, Medical and Food Stamp manual and staff has been reminded of the policy requirements to ensure sanctions are only applied when appropriate.
- Family and Community Resource Center (FCRC) management has reviewed sanction policy in a staff meeting.
- The Division of Human Capital Development (HCD) Central Office staff have discussed the finding with the Local Office Administrators (LOAs) in Regional meetings.
- Underpayments that resulted from the premature sanction have been calculated and issued.

10-10. The auditors recommend DHS implement procedures to ensure all financial reports are submitted within the established deadlines. The auditors also recommend IDHS implement standardized procedures to monitor reporting requirements and submissions.

Findings: IDHS does not have a process in place to ensure financial reports are prepared and submitted within required timeframes for the Vocational Rehabilitation program.

During testwork over financial reports required to be submitted during FY10 for the Vocational Rehabilitation program, auditors selected two quarterly financial status (SF-269 and SF-425) reports for all open Vocational Rehabilitation Grants and the annual RSA-2 report submitted during the year ended June 30, 2010 to review for compliance with reporting requirements and noted several of the reports tested were not submitted within the required timeframes.

In discussing these conditions with IDHS officials, they stated delays in submission of the federal reports were due to inadequate staffing and changes in the data elements required to be reported. The conversion of federal financial status reports from SF-269 forms to SF-425 forms, which required changes in data collection for particular elements, resulted in data elements from not being available in time to meet the required timeframes.

Updated Response: Corrective Action Implemented:

- The Division of Rehabilitation Services staff has implemented a process for more comprehensive review of data used in the completion of the Rehabilitation Services Administration (RSA-2) report prior to submission.
- Staff position has also been created to complete federal reports for the Division of Rehabilitation Services.

10-11. The auditors recommend DHS review the process and procedures in place to prepare the annual program cost report and implement procedures necessary to ensure this report is accurate.

Findings: IDHS did not accurately report expenditures in the RSA-2 Program Cost Report (RSA-2) for the Vocational Rehabilitation program. During testwork over the RSA-2 report for the federal fiscal year ended September 30, 2009, auditors noted IDHS improperly reported small business enterprises expenditures.

In discussing these conditions with IDHS officials, they stated this occurred due to a typographical error in entry into one of the worksheets used to produce the Rehabilitation Services Administration report.

Updated Response: Corrective Action Implemented:

- The Division of Rehabilitation Services staff has implemented process for a more comprehensive review of data used in the completion of the Rehabilitation Services Administration (RSA-2) report prior to submission.
- Staff position has also been created to complete federal reports for the Division of Rehabilitation Services.