

Review: 4385
Statewide Single Audit
Year Ended June 30, 2011
Department of Human Services

FINDINGS/RECOMMENDATIONS – 13
Repeated – 6

Accepted – 9
Implemented - 4

11-02. The auditors recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. (Repeated-2003)

Findings: IDHS is not performing “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.

During testwork, auditors noted the State was overdue in performing the eligibility redetermination of individuals for the three programs during June 2011 as follows:

Program	Average Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF	3,202	44,701	7.16%
CHIP	49,866	767,907	6.49%
Medicaid Cluster	70,577	477,705	14.77%

In discussing these conditions with IDHS officials, they stated that TANF, CHIP, and Medicaid caseloads increased approximately 4% in FY11; whereas, casework staff decreased approximately 3.3% in FY11.

Corrective Action Implemented:

- DHS is also seeking ways to perform renewals more quickly and efficiently, such as increased utilization of available cross-matches with other agencies.
- On 3/14/12, DHS staff was given the ability to run automated clearances with the Secretary of State in order to verify Illinois residency.

Corrective Action to be Implemented:

- The Department of Health Care and Family Services (HFS) and the Department of Human Services (DHS) worked to contract with an outside vendor (Maximus) to perform electronic eligibility redeterminations.

- The vendor will perform eligibility factor verifications for earned income, unearned income, child support receipt, and Illinois residence.
- Discussion continues with the selected vendor regarding the process and system requirements for implementation.
- Maximus has begun sending recommendations to the Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) as to the continuation, cancelation, or modification of medical cases that had been overdue for redetermination.

% of CORRECTIVE ACTION COMPLETED = 50%
ESTIMATED DATE OF COMPLETION = 12/31/2015

11-03. The auditors recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program. (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 Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs.

During testwork at five separate local offices, 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, case files were generally disorganized and case files were stacked on or around file cabinets. Case files were generally available to all DHS personnel and formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations.

Auditors noted several delays in receiving case files due to the fact that case files had been transferred between local offices as a result of clients moving between service areas. Auditors also noted two TANF case records and one Medicaid Cluster case record could not be located for testing.

Payments made on the behalf of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs were approximately \$2,967,720,000, \$63,328,000, \$253,496,000 and \$8,891,667,000, respectively, during the year ended June 30, 2011.

In discussing these conditions with IDHS officials, they stated that they lack adequate staff to properly file documentation.

Response: The Department agrees with the recommendation. Given our current fiscal constraints and continued staffing, and space limitations, IDHS continues to place a high priority on proper case file maintenance. The Department has begun implementation of 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 assist in the reduction of the overwhelming size and amount of paper files in the offices, and better track the location of case file information.

Updated Response: Corrective Action Implemented:

- The DHS, Division of Family and Community Services (DFCS) has completed Phase 1 of the state-wide rollout of its new Document Management System.

This system captures printed forms (application, calculation forms, and case narrative) and stores them in an indexed electronic format available through viewing in Adobe Reader (pdfs).

Corrective Action to be Implemented:

- DHS anticipates moving all of the DFCS statewide forms to electronic format.
- FCS and MIS will work to migrate additional legacy forms to the electronic format as schedule permits
- As part of the phase 2 implementation of the new Integrated Eligibility System scheduled for Summer 2015, all electronic documents produced will be done so in electronic format, significantly reducing the need for paper-based files stored at the local offices.

% of CORRECTIVE ACTION COMPLETED = 50%
ESTIMATED DATE OF COMPLETION = 12/31/2015

11-04. The auditors recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained. (Repeated-2001)

Findings: IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of TANF Cluster, CHIP and the Medicaid Cluster programs.

During testwork of 50 TANF Cluster, 65 CHIP, and 125 Medicaid Cluster beneficiary payments files selected to review for compliance with eligibility requirements and for the allowability of the related benefits provided, auditors noted the following exceptions:

- In one TANF Cluster case file, IDHS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.

- In 14 CHIP case files and 19 Medicaid Cluster case files, IDHS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.
- In ten CHIP case files and one Medicaid Cluster case files, IDHS could not locate adequate documentation supporting income verification procedures performed.

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.

In discussing these conditions with IDHS officials, they stated that they lack adequate staff to properly file documentation.

Updated Response: Corrective Action Implemented:

- The DHS, Division of Family and Community Services (DFCS) have completed Phase 1 of the state-wide rollout of its new Document Management System.

Corrective Action to be Implemented:

- DHS anticipates moving all the DFCS statewide forms to electronic format.
- FCS and MIS will work to migrate additional legacy forms to the electronic format as schedule permits.

As part of the phase 2 implementation of the new Integrated Eligibility System scheduled for Summer 2015, all electronic documents produced will be done so in electronic format, significantly reducing the need for paper-based files stored at the local offices.

% of CORRECTIVE ACTION COMPLETED = 20%
ESTIMATED DATE OF COMPLETION = 12/31/2015

11-05. The auditors recommend IDHS 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 Temporary Assistance for Needy Families (TANF) Cluster program.

During testwork, auditors noted IDHS' process for determining whether TANF Cluster 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 as to whether or not they have been convicted of a Class 1 or Class X felony. 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 they do not have the ability to perform a cross-match with other State agencies that would result in an accurate identification of convicted drug felons.

Auditors' Comment: This finding has been repeated since fiscal year 2006 in which an individual convicted of a felony received TANF benefits despite the fact a self declaration of conviction was included in the case file. Although IDHS has removed the cross match from its TANF State Plan and procedures manual, IDHS has not implemented controls to ensure individuals who make a self declaration of a conviction do not receive TANF benefits.

Updated Response: Corrective Action Implemented:

- The DHS, Division of Family and Community Services (FCS) has modified the Department's paper application and the electronic application has been modified to ask the applicant if they've been convicted of a felony involving a controlled substance.
- The DHS, Division of Family and Community Services (FCS) has implemented a policy requiring TANF applicants to certify in writing whether or not they have been convicted of a felony involving a controlled substance.
- The Illinois State Police has been contacted in order to obtain a file of convicted Class X and Class 1 drug felons, in order to perform a cross-match that would lend potential assistance in the identification of TANF ineligible felons.

Corrective Action to be implemented:

DHS has identified several barriers to creating a cross match with the Illinois State Police, including:

1. A cross-match with the Illinois State Police would be cost prohibitive. Estimated costs have been as high as several hundred thousand dollars per year.
2. IDHS data fields of collection and verification is based on the name, date of birth, and social security number, creating a lot of false positives that would require significant man hours to investigate.
3. Any match with the Illinois State Police would be incomplete, as there is no known national database of convicted Class 1 or X drug felons.

Additionally, there is no federal requirement for a cross match with other agencies or entities. Section 115 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (which authorizes TANF) states, "A state shall require each individual applying for assistance...to state in writing whether the individual or any member of the household has been convicted of a felony."

By changing our applications forms to require an applicant to address in writing whether he or she is a convicted drug felon, we are in compliance.

Also, our discussion with the Federal Administration for Children and Families resulted in a statement from them indicating that in the absence of a national database for

identifying drug felons, other states have also adopted self declaration as their means of identification.

- For the reasons stated above, the Division of Family and Community Services (FCS) maintains that DHS is in compliance with our policy and any other regulations regarding the identification of Class 1 and Class X drug Felons.
- A follow-up e-mail was sent to on February 26, 2013 to the Department of Health and Human Services, Administration for Children and Family Services (ACFS) for an update on this audit finding resolution, based on previous action taken.
- ACF indicated the audit determination letter containing the finding was forwarded by their office to Washington (for final processing) in January.
- ACF is attempting to get a status update from Washington and will share any details that are provided with DHS.

% of CORRECTIVE ACTION COMPLETED = 99%

Estimated Date of Completion: 6/30/13.

11-06. The auditors recommend IDHS implement procedures to ensure on-site monitoring reviews are performed for subrecipients of the TANF Cluster program.

Findings: IDHS did not adequately monitor a subrecipient expending American Recovery and Reinvestment Act (ARRA) funding under the TANF Cluster program.

IDHS received a grant award of approximately \$249 million under the TANF Emergency Contingency Fund program. Approximately \$177 million of this funding was expended by a single subrecipient to administer a State program known as Put Illinois to Work. The Put Illinois to Work program was designed to provide subsidized employment opportunities to eligible Illinois residents at approved work sites to assist each program participant in gaining new skills and work experience, as well as providing for their families. The program was designed to operate over a six-month period from April 1, 2010 to September 30, 2010 (the award period).

During a review of the monitoring procedures performed by IDHS with respect to the Put Illinois to Work program, auditors noted IDHS had not performed on-site fiscal monitoring reviews during the year ended June 30, 2011. Subsequent to year-end, DHS internal audit performed an audit of the Put Illinois to Work program which included a review of the activities administered by IDHS' subrecipient. The following instances of subrecipient noncompliance were identified in the internal audit:

- Disallowed costs for administrative expenditures in the amount of \$267,649 due to improperly documented expenditures and unnecessary costs (flowers and gift cards).

- Disallowed costs for subsidized employment fees in the amount of \$41,476 due to missing or unsigned participant timesheets or other required work verification documents.
- Disallowed costs for participant placement fees in the amount of \$97,800 due to duplicate placement fees being claimed for participants with multiple participant numbers.

Auditors also noted the subrecipient received expenditures based on a negotiated fee for the services provided; however, IDHS could not provide supporting documentation for the fee paid to the subrecipient. Additionally, the internal audit identified that the amounts paid to the subcontractor during the award period (\$174,435,041) exceeded actual program disbursements for the award period (\$157,353,573) by approximately \$17 million.

In discussing the conditions with IDHS officials, they stated the cause was due to a misunderstanding that the fee for service contract was not required to follow federal general and administrative requirements.

Updated Response: Corrective Action Implemented:

- The Department has enhanced contractual language to distinguish between fee-for-services (Medicaid) and fixed rate grants.
- The Department has also enhanced procedures by requiring submission of a detailed direct cost budget and indirect cost rate to ensure only allowable costs are charged to grants.

Corrective Action to be Implemented:

- The Department is currently engaged in reviewing additional documentation of allowable costs as well as ongoing legal costs and will seek reimbursement for the balance of the overpayment.
- The Department is currently working with the United States Department of Health and Human Services (USDHHS) Regional Office to obtain clarity regarding the use of fee-for-service and reasonable profit in order to determine Questioned Costs.

% of CORRECTIVE ACTION COMPLETED = 67%

11-07. The auditors recommend IDHS implement procedures to ensure all expenditures claimed under the Title XX program are adequately documented and agree to amounts claimed. They also recommend IDHS implement procedures to ensure only expenditures made on the behalf of families or children who meet the specified income requirements of the program are used to meet the Title XX earmarking requirement.

Findings: IDHS charged unallowable Home Services expenditures to the Social Services Block Grant (Title XX) program.

During testwork of 25 Home Services and 25 Early Intervention beneficiary payments, auditors reviewed supporting documentation to determine whether the payments tested were allowable and whether beneficiaries met the applicable eligibility criteria and noted the following exceptions:

- Documentation could not be located to support one Home Services expenditure (totaling \$675) claimed under the Title XX program or one Home Services expenditure (totaling \$748) used to meet the Title XX earmarking requirement. Additionally, documentation supporting services provided to a Home Services beneficiary did not agree to the hours reimbursed for one expenditure (totaling \$260) claimed under the Title XX program.
- Documentation provided for one Early Intervention beneficiary identified the beneficiary's income exceeded 200% of the poverty level resulting in services not be allowed.

In discussing these conditions with IDHS officials, they stated that the improper filing of Personal Assistant (PA) timesheets, as well as an oversight of mathematical error during the Division of Rehabilitation Services (DRS) staff review of the paper timesheet contributed to the discrepancies noted. In addition, the Early Intervention program changed the application used to process the expenditures. As a result, the edit that restricts households with income exceeding the Title XX specified income requirements was inadvertently omitted in the new system.

Updated Response: Corrective Action Implemented:

- The Early Intervention Program (EI) has changed the application used to process the expenditures.
- The edit that kept households with income over the Title XX specified income requirements was not in the new system.
- The new process has been adjusted to include the edit and FY12 claims were re-processed to ensure compliance.
- The Early Intervention Program (EI) provided a Screen Print indicating the new system has been adjusted to include the edit.
- The Division of Rehabilitation Services (DRS) continues to reinforce the importance of verifying hours worked by Personal Assistants (PAs) and entering the data accurately in the system.
- DRS continues to reinforce with program staff the importance of ensuring that processed timesheets are filed in the customer case files to ensure documentation is available to support any expenditure from the Home Services Program.

Corrective Action to be Implemented:

- DRS continues to investigate technological solutions to timekeeping recording and processing.
- Currently, an RFI has been completed and potential solutions are being reviewed for a possible RFP.

- DRS, Bureau of Home Services Program (HSP) has created a Request For Proposal (RFP) to establish an electronic timekeeping system that should eliminate the majority of calculation error and loss of documentation issues.

% of CORRECTIVE ACTION COMPLETED = 50%
ESTIMATED DATE OF COMPLETION = 1/1/2014

11-08. The auditors recommend IDHS establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and properly reviewed in a reasonable timeframe, (2) management decisions are issued for all findings affecting federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

Findings: IDHS did not adequately review OMB Circular A-133 audit reports received from its subrecipients for WIC, Vocational Rehabilitation Cluster, TANF Cluster, Child Care 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.

Auditors selected a total sample of 160 subrecipients to review from the above programs. During a review of the OMB Circular A-133 audit desk review files, auditors noted the following exceptions:

- Two subrecipients who received more than \$500,000 in federal funding from IDHS did not submit required Single Audit reports. Upon further review, IDHS records did not indicate that a Single Audit was required, and as a result, follow up procedures were not performed to obtain required audit reports.
- One subrecipient submitted an annual report that did not comply with reporting requirements. Upon further review, auditors noted the A-133 desk review checklist completed for this report did not identify the reporting deficiencies, and as a result, IDHS did not notify the subrecipient of the reporting errors.

In addition, auditors noted IDHS did not notify three subrecipients of the results of A-133 audit desk reviews or issue management decisions on reported findings within six months of receiving the audit reports. Delays ranged from five to 119 days after the required time frame. Upon further review of the entire population of OMB Circular A-133 desk reviews, auditors noted 31 desk reviews were not completed within six months of receipt, and as a result, management decisions were not issued within six months.

In discussing the desk review process with IDHS officials, they stated that according to Department officials an inadequate prioritization, scheduling of audited financial statements received, and insufficient qualified staff contributed to discrepancies noted.

Updated Response: Corrective Action Implemented:

- The Office of Contract Administration (OCA) is issuing a “tentative listing of A-133 required reporters for the current fiscal year” – based upon either current agreement amounts or historical spending patterns at the onset of the current fiscal year. The provider will know they are anticipated to be an A-133 required reporter and what those requirements will be.
- The A-133 desk review procedures and review checklist have been updated. In addition, training was held in September 2012 in Springfield and Chicago to educate staff on updated Federal Requirements.
- A Request for Proposal (RFP) was published, responses were received and evaluated and a vendor was awarded a three-year contract with two one-year renewal options.
- The selected vendor will perform desk reviews of all Audited Financial Statements as well as the A-133 Single Audit Reports.

While this procurement did take time to accomplish, the overall savings to the State on the vendor selected is estimated to save roughly \$50,000 per annum over the previous vendor – who was only performing Single Audit Reviews.

Corrective Action to be Implemented:

- There is a significant backlog of audit reviews needed as a result of the delay in procurement. The vendor is anticipated to be current with the bulk of the FY11 reviews soon and will begin on the backlog of FY12 reviews.
- Database changes have been identified that are needed to more accurately monitor the three elements of corrective action plans where deficiencies have been identified.
- Resources have been assigned to the project. The actual implementation of the needed Office of Contract Administration (OCA) database changes, tickler (monitoring) reports and production reports needed are scheduled for completion by the end of **June, 2013.**
- Separate procedures to utilize this monitoring module and provide reports to management and program areas will also be complete by **6/30/13.**

% of CORRECTIVE ACTION COMPLETED = 50%

ESTIMATED DATE OF COMPLETION = 12/31/13

11-09. The auditors recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, auditors 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.

Findings: IDHS did not follow its established policies and procedures for performing on-site monitoring reviews of subrecipients of the Vocational Rehabilitation Cluster and Social Services Block Grant (Title XX) programs.

During testwork over on-site review procedures performed for 80 subrecipients (40 for each program) of the Vocational Rehabilitation Cluster and Title XX programs, auditors noted the following:

- One subrecipient of the Vocational Rehabilitation Cluster program was identified as having been subject to on-site monitoring procedures during FY11; however, IDHS could not provide documentation supporting a review had been performed.
- One subrecipient of the Vocational Rehabilitation Cluster program was required to have an on-site monitoring review performed in FY11 based on IDHS' planned monitoring cycle; however, a review was not performed by IDHS.
- Two subrecipients of the Title XX program did not receive timely notification of the results of on-site program reviews. On-site monitoring review findings for these subrecipients were not reported for 210 and 267 days after on-site monitoring procedures were conducted.

In discussing the conditions with IDHS officials, they stated that the issues associated with the Division of Rehabilitation Services (DRS) programs occurred during the change in project officers where previously completed on site reports were not transferred to the new project officer or the scheduling for the next on site was not appropriately communicated to the new staff taking over the contract monitoring responsibilities. In addition, inadequate tracking and monitoring of donated funding awards and site visits in the Division of Alcohol and Substance Abuse (DASA) contributed to the discrepancies noted.

Updated Response: Corrective Action Implemented:

- The Division of Rehabilitation Services (DRS) has established a unit data folder for Community resource project officers to consolidate file of all on-site paperwork into a single location to ensure items are not lost in the transition of staff.
- DRS continues to maintain a schedule of on-site visits to ensure timely on-site reviews of providers.
- DRS continues to monitor all providers on a three year cycle for the Vocation Rehabilitation (VR) program.
- The Division of Alcohol and Substance Abuse (DASA) has reviewed and identified DHS DASA Donated Funds Initiative (DFI) awards.
- DASA has established a site visit schedule, assigned staff for each award and developed tracking table for all DFI site visits to be conducted.
- DASA has also developed on-site visit protocols, tools, related training and conducted site visits for DASA funded DFI providers per the schedule.
- The Division of Alcohol and Substance Abuse (DASA) has begun monthly review of the DFI site visit tracking report which will indicate: Vendor, staff assigned for the review, scheduled review date, actual/completed review date, site visit review letter to provider date, and ending review date.

Corrective action to be implemented:

- Additional staffing shifts have occurred and the Division of Rehabilitation Services (DRS) is working to ensure timely reviews are completed.

% of CORRECTIVE ACTION COMPLETED: 90%
ESTIMATED DATE OF COMPLETION =6/30/2013.

11-10. The auditors recommend IDHS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Findings: IDHS did not accurately report federal expenditures under the WIC program to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA). Specifically, the following difference for the WIC program was noted for the year ended June 30, 2011:

<u>Program</u>	<u>Federal Expenditures Reported on the SEFA</u>	<u>Federal Expenditures Originally Reported on the SEFA</u>	<u>Difference</u>
WIC	\$ 225,992,000	\$ 214,103,000	\$ 11,889,000

In discussing this with IDHS officials, they stated ongoing staffing shortages have forced the Department to rely more heavily on outside contractors in preparing GAAP reporting deliverables. They also stated that recent staff turnover has left the Department with fewer individuals who are familiar with the grants and other activities accounted for in funds administered by the Department.

Updated Response: Corrective Action Implemented:

- Fiscal Services has enhanced its communication process to include forwarding a copy of the C-64 Receipt Deposit Transmittal to the Bureau of General Accounting.
- General Accounting will request this information on its annual GAAP information request.
- Federal Reporting has added this receipt as an item to provide General Accounting as part of its annual reporting process in preparation of GAAP package.
- The Office of Fiscal Services provided GAAP instruction to outside contractual staff to enable them understand the general approach used by DHS in preparing GAAP deliverables.

% of CORRECTIVE ACTION COMPLETED = 100%

11-11. The auditors recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility

determinations are made and documented in accordance with program regulations.

Findings: IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Cluster program in accordance with federal regulations.

During testwork of Vocational Rehabilitation Cluster program beneficiary payments, auditors selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits and noted the following exceptions:

- For two cases, IDHS could not provide the customer financial analysis form signed by the case worker and beneficiary; however, unsigned electronic forms were provided from the case management system.
- For two cases, IDHS could not provide the Individualized Plan for Employment (IPE) signed by the case worker and beneficiary; however, unsigned electronic IPE's were provided from the case management system.
- For one case, IDHS could not provide the approved Individual Plan Employment (IPE) that covered the services provided and paid on behalf of the beneficiary.

In discussing these conditions with IDHS officials, they stated that this issue arose from program staff who failed to print, sign and file necessary paper forms documenting eligibility determination and approved services. In addition, in one case, a computer system issue resulted in an Individual Plan for Employment (IPE) that has incorrect dates for one service.

Updated Response: Corrective Action Implemented:

- The Division of Rehabilitation Services (DRS) continues to reinforce with staff at all levels the importance of printing and signing all necessary documents.
- DRS will continue to emphasize during new employee orientation to the importance of proper documentation.
- DRS continues to highlight the issue of ensuring all documentation is signed and filed at appropriate gatherings of staff, including regional meetings and supervisors meetings.

Corrective Action to be Implemented:

- DRS Quality Assurance Unit will continue to check all documents are signed and filed as part of their review of case files.

% of CORRECTIVE ACTION COMPLETED = 90%
ESTIMATED DATE OF COMPLETION = 6/30/2013

11-12. The auditors recommend IDHS review its current process for monitoring its MOE requirement and consider changes necessary to ensure the MOE requirement is met.

Findings: IDHS did not meet the maintenance of effort (MOE) requirements for the Vocational Rehabilitation Cluster program.

In discussing these conditions with IDHS officials, they stated that the federal fiscal year 2008 federal award was overmatched by the Division of Rehabilitation Services (DRS). As a result, this created an artificially high and unsustainable Maintenance of Effort (MOE) level.

Response: The Department agrees with the recommendation. The Division of Rehabilitation Services (DRS) will review its current process for monitoring its Maintenance of Effort (MOE) requirement and consider changes necessary to ensure the MOE requirement is met.

It is important to note that the Federal Department of Education calculated the MOE penalty at \$1,923,136. Further, after assessing the Illinois Vocational Rehabilitation (VR) program with \$1,923,136 MOE penalty, the Federal Department of Education also provided the agency with \$4.6M in re-allotment funds, based on a re-allotment request that factored in the MOE penalty.

Updated Response: Corrective Action Implemented:

- The Division Rehabilitation Services (DRS) Central support is regularly sending reports to contract project officers documenting what central support has received in terms of grant budgets and third party match expenditures.
-Project Officers then validate this information against their records and corrections made based on budget changes, and expenditure reports that were not received by central support initially.
- DRS did not seek re-allotment with the FFY 2012 award. In addition, as part of DRS' match monitoring, Maintenance of Effort (MOE) is compared to determine which threshold is higher and the focus of ensuring Matching requirements focuses on the higher requirement.
- DRS will provide MOE information with the supporting documentation for the SF425 for period ending 9/30.

At this time, the SF425s for period ending 9/30 have been completed.

% of CORRECTIVE ACTION COMPLETED = 100%

11-13. The auditors recommend IDHS review the process and procedures in place to prepare financial reports required for the Vocational Rehabilitation Cluster

**and implement procedures necessary to ensure the reports are accurate.
(Repeated-2010)**

Findings: IDHS did not prepare accurate periodic financial reports for the Vocational Rehabilitation Cluster program.

In discussing these conditions with IDHS officials, they stated that this occurred due to a typographical error in entry into one of the worksheets used to produce the Rehabilitation Services Administration (RSA-2) report and the federal submission website.

Updated Response: Corrective Action Implemented:

- The Division of Rehabilitation Services (DRS) is continuing to work to ensure that items are double checked and validated against original sources prior to submission of Standard Form 425: Federal Financial Report and Form RSA 2 - Annual Vocational Rehabilitation Program/Cost Report (SF 425s and RSA 2).
- The Division of Rehabilitation Services (DRS) has and is continuing to work on the work-papers used in the completion of the SF425 to facilitate a secondary review of the support.
- The Division of Rehabilitation Services (DRS) continues to work with DHS Office of Fiscal Services (Fiscal) to coordinate scheduling of reviews and submission of federal reports.

% of CORRECTIVE ACTION COMPLETED = 100%

11-14. The auditors recommend IDHS implement procedures to ensure all financial reports are submitted within the established deadlines. Auditors also recommend IDHS implement standardized procedures to monitor reporting requirements and submissions. (Repeated-2010)

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

During testwork over financial reports required to be submitted during FY11 for the Vocational Rehabilitation Cluster program, auditors selected two quarterly financial status reports for all open Vocational Rehabilitation Cluster grants and the annual RSA-2 report submitted during the year ended June 30, 2011 to review for compliance with reporting requirements. Several of the reports tested were not submitted within the required timeframes.

In discussing these conditions with IDHS officials, they stated that delays in submission of the federal reports were due to changes in the data elements required to be reported. The conversion of federal financial status reports required changes in data collection for

particular elements and resulted in data elements from not being available in time to meet the required timeframes.

Updated Response: Corrective Action Implemented:

- Automation of additional reports to replace manual process to gather necessary information in the completion of federal reports.

- The Division of Rehabilitation Services (DRS) (DRS) has created specific Crystal reports designed to facilitate the completion of various aspects of the DRS financial reports. However, a computer change has resulted in the need to rework these reports into the latest version of Crystal.

- The Division of Rehabilitation Services (DRS) will prepare on timely basis, as well as coordinate with DHS Fiscal Services to ensure that all data elements are collected and entered into the worksheets as quickly as possible to allow maximum time for secondary review of the completed report prior to submission.

- Established system for:
 - (1) Timely supervisory review of the electronic reports prior to entry in the system.

 - (2) Timely review of the paper reports by DHS Fiscal prior to submission.

% of CORRECTIVE ACTION COMPLETED = 100%