

# LEGISLATIVE AUDIT COMMISSION



Limited Review of  
Federal Single Audit  
Year Ended June 30, 2001  
For Departments of Public Aid, Human Services and  
Children and Family Services

622 Stratton Office Building  
Springfield, Illinois 62706  
217/782-7097

**LIMITED REVIEW: 4164  
FEDERAL SINGLE AUDIT  
YEAR ENDED JUNE 30, 2001  
DEPARTMENTS OF PUBLIC AID, HUMAN SERVICES, and  
CHILDREN AND FAMILY SERVICES**

**TOTAL REPORT FINDINGS/RECOMMENDATIONS - 50**

**NOT ACCEPTED - 2**

**ACCEPTED - 42**

**IMPLEMENTED - 6**

**REPEATED RECOMMENDATIONS - 13**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 36**

Beginning with FY2000, the Office of the Auditor General converted to a Statewide Single Audit approach to audit federal grant programs. The audit was conducted in accordance with the federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133. In prior years, audits of federal grant programs were conducted on a department by department basis.

The Statewide Single Audit includes all State agencies that are a part of the primary government and expend federal awards. In total, 39 State agencies expended federal financial assistance in FY2001. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities.

The Schedule of Expenditures of Federal Awards (SEFA) reflected total expenditures of \$12.2 billion for the year ended June 30, 2001. This represents a \$900 million increase over FY2000, or 7.9%. The chart at the end of this review lists every federal grant and the amount expended. Overall, the State participated in 304 different federal programs; however, 10 of these programs or program clusters accounted for approximately 80.6% (\$9.8 billion) of the total federal award expenditures as exhibited in the following table.

**REVIEW: 4164**

<b>Federal Program Award</b>	<b>Total Expenditure</b>	<b>% of Total</b>
Medicaid	\$ 4,497,100,000	36.9%
Unemployment Insurance	1,579,300,000	13%
Highway Planning, Construction	923,500,000	7.6%
Food Stamps	881,900,000	7.2%
TANF	506,900,000	4.2%
Title 1 Education Grants	322,600,000	2.7%
Title IV-E Foster Care	318,800,000	2.6%
Child Nutrition	293,500,000	2.4%
Child Care	257,700,000	2.1%
Special Education	229,500,000	1.9%
All Others	2,361,600,000	19.4%
<b>Total Federal Awards</b>	<b>\$ 11,300,000,000</b>	

The funding for the 304 programs was provided by 20 different federal agencies. The table below shows the five federal agencies that provided Illinois with the vast majority of federal funding in FY2001.

<b>Federal Funding Agency</b>	<b>Total Grant</b>	<b>% of Total</b>
Health & Human Services	\$ 6,376,900,000	52.8%
Labor	1,769,400,000	14.5%
Agriculture	1,460,700,000	12%
Education	1,094,500,000	8.6%
Transportation	1,042,300,000	8.6%
All Others	428,600,000	3.9%

A total of 42 federal programs were identified as major programs in FY2001. A major program was defined as any that meets certain criteria when applying the risk-based approach. In FY2001, there were 28 of the 42 major programs with federal award expenditures exceeding \$30 million. The 42 major programs had combined expenditures of more than \$11 billion, and 262 non-major programs with combined expenditures of almost \$1.1 billion. Nine State agencies accounted for approximately 97.4% of all federal dollars spent in FY2001 as depicted in the following table.

**REVIEW: 4164**

<b>State Agency</b>	<b>Federal Expenditures</b>	<b>% of Total</b>
Public Aid	\$ 4,361,800,000	35.8%
Human Services	2,240,400,000	18.4%
Employment Security	1,751,500,000	14.4%
Board of Education	1,438,200,000	11.8%
Transportation	1,011,700,000	8.3%
DCFS	495,500,000	4.1%
DCCA	210,200,000	1.7%
EPA	185,400,000	1.5%
ISAC	165,800,000	1.4%
All Others	310,900,000	2.6%

The table below summarizes the number of report findings by State agency and identifies the number of repeat findings.

<b>State Agency</b>	<b>Number of Findings</b>	<b>Repeat Findings</b>
Public Aid	10	1
Human Services	6	1
DCFS	10	3
Board of Education	6	2
ISAC	4	3
Transportation	1	0
IEMA	1	0
Natural Resources	6	1
DCCA	1	0
Employment Security	1	0
Criminal Justice Information Authority	3	1
Corrections	1	1
<b>TOTAL</b>	<b>50</b>	<b>13</b>

**DEPARTMENT OF PUBLIC AID (DPA)  
Recommendations 1 through 10**

- 1. Work with the Comptroller's office to establish procedures to ensure funds are drawn based upon the date that warrants are actually issued.**

**Findings:** DPA did not follow the clearance patterns specified in the Treasury-State Agreement related to cash draws for the Medicaid program. The Treasury-State Agreement details the funding techniques to be used for the draw down of federal funds. The technique is considered interest neutral. However, from December 2000 through April 2001, the State delayed the issuance of warrants for GRF expenditures, including Medicaid benefit payments, for a period of up to two weeks. During this time, DPA drew down funds prior to the actual issuance of warrants. DPA did not calculate an interest liability owed to the federal government for the delay in disbursement of funds.

**Response:** Accepted. The Department has worked in consultation with the Illinois Office of the Comptroller (OIC) and is now drawing funds based upon the date warrants are issued.

- 2. Continue to work with DCFS to properly identify, report, and remit child support collections made on behalf of Foster Care beneficiaries to the USDHHS as appropriate.**

**Findings:** DPA has not remitted child support collections to DCFS from the non-custodial parents of beneficiaries of the Foster Care program. DPA collects child support payment from non-custodial parents for individuals receiving other forms of public assistance and for individuals who have applied for assistance in collecting child support payments. Child support collections required to be credited against the Foster Care program totaled \$854,775 at June 30, 2001. Failure to report and remit child support collections for Foster Care beneficiaries results in expenditures being claimed for federal reimbursement which have already been recovered from the non-custodial parent.

**Response:** Accepted. Payments are now remitted to DCFS on a regular schedule.

- 3. Implement procedures for tracking, investigating, and reviewing employer information requests responses to ensure all potential third party insurers from who potential reimbursement should be available are identified.**

**Findings:** DPA does not adequately follow up with employers to identify third parties who may be liable for medical services provided to a beneficiary. In an effort to identify third party insurance, DPA performs a quarterly match of Medicaid beneficiary information with employment information from the Department of Labor. When a potential employer for a beneficiary is identified, DPA sends a letter to the employer requesting information related to the existence of employer provided health insurance. When a response is received from an employer indicating the existence of a potential

## REVIEW: 4164

third party insurer, the information is input to the Medicaid Management Information System (MMIS).

The auditors noted that DPA does not have a process in place to track information requests sent to employers, and does not have the capability to identify or investigate non-responses, or ensure that all TPL information received is entered accurately and completely. The Department noted that about 75% of employers respond to information requests and it does have the capability to identify and investigate non-responses. However, DPA stated that the Department is better served by having TPL staff concentrate on the new TPL rather than following up on non-responses.

**Response:** Accepted. The Department has changed the frequency of the follow-up mailing of the request for employer TPL information from 21 months to 15 months. The Agency is continuing to review all options to obtain Third Party Liability (TPL) information regarding Medicaid recipients. Management also recommends the finding should be amended to include a recommendation that Illinois law require health plans and employers doing business in Illinois to cooperate with the Medicaid TPL Program.

#### **4. Follow procedures established to ensure interviews with custodial parents are performed timely, and that results of interviews with custodial parents are documented along with attempts to obtain additional information or locate the non-custodial parent.**

**Findings:** During test work on 30 child support cases, the auditors noted 14 cases (47%) in which interviews with custodial parents were not scheduled for timeframes ranging from six to eight months after the referral or application had been received. There were two cases in which interviews were performed, but the results were not documented in KIDS. Department officials stated that staff hours devoted to regular work activities were redirected to ensure proper implementation of a federally required certification review which occurred in April 2001.

**Response:** Accepted. Staff will continue to focus on reducing the amount of time from when a case is opened to when the actual interview takes place. Refinements have been made to the process and client interview time frames have been improved.

#### **5. Perform timely onsite monitoring visits which include reviewing financial and programmatic records, observation of operations and/or processes for determining expenditure allowability or recipient eligibility in order to ensure subrecipients are expending federal funding in compliance with the provisions of federal regulations.**

**Establish uniform desk review performance and documentation procedures for subrecipient's OMB Circular A-133 reports to include:**

Department of Public Aid - continued

- Receiving reports within 180 days of the subrecipient's year-end;
- Performing desk reviews of the OMB Circular A-133 reports timely including a review of reports, follow up on subrecipient findings and implementation of corrective action plans, receipt and review of applicable management letters;
- Reconciling amounts reported in the A-133 report to financial information in subrecipient files;
- Reviewing the independent auditors' opinion to identify an unqualified or qualified opinion;
- Reviewing the independent auditors' opinion to determine whether any internal control reportable conditions or material weakness were identified;
- Reviewing the major programs tested to ensure that all type A programs are being audited at least every three years;
- Recalculating the type A threshold to ensure it is properly including or excluding any loans or non-cash items;
- Reviewing the auditee's qualifications to be audited as a low risk or high risk auditee;
- Reviewing findings to ensure prior year findings are not consistently repeated; and
- Documenting the results of such a review via the use of a checklist or questionnaire to be maintained in the subrecipient's file.

Implement a process for tracking the submission of subrecipient A-133 reports to ensure all reports are received timely. Include tracking procedures for following up with those subrecipients failing to submit within the required timeframe.

**Findings:** During the review of DPA's subrecipient monitoring process, the auditors selected eight subrecipients of the child support enforcement program for testwork with total expenditures of \$24.6 million. The auditors noted no onsite monitoring within the past five years to review financial and programmatic records and observe operations and/or processes for determining expenditure allowability and recipient eligibility for four subrecipients with expenditures of \$1.1 million. Three of the subrecipients with expenditures over \$642,000 had not submitted an A-133 audit report for the most recent fiscal year. DPA had not followed up to request the missing reports.

DPA officials stated that agency management has concentrated the majority of its monitoring efforts in Cook County where over 80% of the subrecipient expenditures occur.

**Response:** Accepted. On-site monitoring is occurring on a regular risk-assessment basis. An A-133 tracking and review system has been developed and is being used.

**REVIEW: 4164**

- 6. Establish procedures to review and certify the accuracy of the clearance pattern for administrative draws at least once every five years, and perform a statistical study to compute the actual clearance pattern of each program.**

**Findings:** DPA has not reviewed or recertified the accuracy of the clearance pattern specified in the Treasury-State agreement related to the draw down of federal funds. The current pattern was established in 1993. Federal regulations state that an authorized State official shall recertify the accuracy of the clearance pattern at least every five years.

**Response:** Accepted. This is no longer required as per the Department of Treasury 31 CFR Part 205.18.

- 7. Follow procedures established to ensure support orders are established within the required timeframes and ensure failed attempts to establish support orders are adequately documented.**

**Findings:** DPA did not adequately perform procedures to ensure support orders were established within required time frames or did not document failed attempts to serve process. During test work of 30 child support cases, the auditors noted four cases in which DPA did not initiate paternity and or support order procedures within the federally prescribed 90-day timeframe. Unsuccessful attempts to serve process were not documented.

**Response:** Accepted. Significant attention and efforts have been directed to ensure paternity and support orders are completed within federal guidelines. Record numbers of paternities and support orders were established last federal fiscal year, and the number of support orders established for the first half of the fiscal year are 44% ahead of last year. Staff was instructed on proper documentation so that unsuccessful service attempts will be recorded.

- 8. Follow procedures established to ensure initiating interstate cases are properly referred to the responding state and to provide accurate and adequate documentation of actions and determinations related to such cases.**

**Findings:** DPA did not adequately perform case management procedures for initiating interstate cases and failed to accurately and adequately document interstate cases with KIDS. During test work of 25 initiating and 25 responding cases (50 cases total), one case was referred 84 days after the required federal timeframe; and information was provided 25 days after the required federal timeframe in another case.

**Response:** Accepted. Staff was instructed on the importance of meeting federal time frames. Supervisors will monitor cases to ensure federal time lines are met.

Department of Public Aid - concluded

**9. Implement review procedures over the input of medical provider information as well as programming into Medicaid Management Information System (MMIS ) in order to reduce the potential for error.**

**Findings:** The MMIS contained inaccurate data for medical providers. During review of 50 medical providers, the auditors noted six providers whose license expirations were inaccurately recorded in MMIS data files as 2003 when the actual expiration dates were 2001.

**Response:** The expiration date problem was corrected by the Bureau of Information System on 7/26/01. BIS made a miscalculation in its programming for the expiration dates of some providers licensed by the Department of Professional Regulation. Although for a period of time the MMIS system reflected an incorrect expiration date for these provider types, system edits were already in place to ensure that no provider would be paid for services without a valid license.

**10. Submit drug rebate claims to the manufacturers within 60 days after the end of each quarter, and follow up on rebates not received within 30 days after the issuance of the invoice. (Repeated-2000)**

**Findings:** DPA is not submitting rebate claims to drug manufacturers on a timely basis and is not reconciling rebates received to amounts claimed.

DPA submits quarterly rebate claims to drug manufacturers for outpatient drugs purchased under the Medical Assistance Program. The rebate claims include drug utilization data (i.e. quantities purchased), the average manufacturers price, the best prices for each covered outpatient drug, and the amount to be received back in the form of a rebate. During FY2001 rebate claims to the manufacturers were submitted from six to 20 days late. Further, DPA was unable to provide evidence that it followed-up on manufacturers rebates not received within 30 days. During a review of 50 rebates billed during the year, DPA received rebate submissions from 16 manufacturers from 1½ to five months after the date the invoice was sent to the manufacturer.

Failure to submit drug rebate claims on a timely basis and follow up on untimely remittance may result in the late receipt of rebate payments and lost interest income.

**Response:** Additional procedures have also been developed and implemented to address manufacturers who are unresponsive to initial invoicing of rebates amounts. Follow-up correspondence is now sent to manufacturers who do not make payment with the OBRA '90 prescribed period of 38 days. Manufacturers are also required to calculate and submit interest along with initial invoice amounts. The Department has been timely since June of 2001.

**DEPARTMENT OF HUMAN SERVICES (DHS)  
Recommendations 11 through 16**

**11. Identify expenditures made for programs or services for families or children who meet the specified income requirements of the program.**

**Findings:** DHS is not adequately monitoring the earmarking requirement for the TANF program funds transferred into the Social Services Block Grant (Title XX) program. During FY01, DHS transferred \$63.1 million from the TANF program to the Title XX program to be used only for programs and services to children or families whose income is less than 200% of the official poverty guidelines. The expenditures used by DHS to meet the earmarking requirement are made by DCFS primarily for services proved to children and families served by DCFS relative to foster care, adoption services, residential child care, homemaker services, and social adjustment and rehabilitation services.

DCFS reports its expenditures to DHS in summarized pools based upon services being provided. The individual expenditures in each pool are not specifically identified to ensure the families or children served have met the income guidelines of the earmarking requirement. Federal regulations state that the fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions and prohibitions of applicable statutes.

**Response:** Accepted and in process. The Department is currently conducting a statistical sample of DCFS cases to further support the Title XX transfer to TANF for the FY '02 federal claim. The DCFS expenditures are currently used to justify the transfer, which is done to maximize the availability of federal dollars. The intent of the sample is to further support the allocation method used by the Department, which is based on actual eligibility rates determined as a result of the DCFS intake process.

**12. Review advance funding policies and techniques for subrecipients and implement policies, techniques and a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis.**

**Findings:** DHS provided funds to subrecipients of the WIC program in excess of immediate cash needs. Upon review of 25 payments to subrecipients totaling \$18.3 million, the auditors noted 13 payments totaling \$2.4 million resulted in advances to subrecipients of more than 30 days of funding needs. The number of days advanced ranged from 36 to 53 days.

**Response:** Implemented. Starting in February 2002, the Department implemented a procedure to provide only 30 days of advance funding to WIC subrecipients. It is important to note that the Department has a process in place to monitor the cash disbursements to WIC subrecipients.

**Department of Human Services – concluded**

- 13. Establish an adequate segregation of duties between those employees who develop and maintain the system from those who are authorized to use the system. Establish periodic reviews of user assigned rights to ensure access is granted only to current authorized users. Review access activity logs to identify terminated or erroneous users whose access should be revoked.**

**Findings:** DHS does not have adequate controls over user access rights to the Cornerstone system. The Cornerstone system serves as the main database for the WIC program, and it is used by DHS and its subrecipients to store participant information, perform eligibility determinations for participants, and track the issuance and redemption of food instruments. The auditors noted the following:

- Full user access rights were assigned to 30 DHS individuals, including both program developers and users;
- User rights had not been eliminated for seven employees who had terminated employment with DHS; and
- One DHS employee was inadvertently given user rights.

**Response:** Accepted. The Department conducted a review of Cornerstones users' access, deleting users not requiring access and moving other users to the proper access. In the future, MIS will periodically review the access for appropriateness based on job responsibilities.

- 14. Review the process for preparing the annual TANF report and supporting documentation to ensure the report is reviewed by the appropriate personnel who have knowledge of the program reporting requirements prior to submissions to USDHHS.**

**Findings:** DHS did not properly report "maintenance-of-effort" expenditures in the annual TANF report to the federal Department of Health and Human Services (ACF-204). DHS understated the amount of "maintenance-of-effort" expenditures by more than \$16 million according to supporting documentation.

**Response:** Accepted. The appropriate staff will review future reports for accuracy prior to submittal, including a comparison to the Federal Claim, the ACF-196. DHS officials contacted federal officials regarding the FFY'00 report and it was determined that the Maintenance of Effort (MOE) requirement was met and it was not necessary to submit a revised report.

- 15. Review process for determining Medicaid and TANF benefits and consider necessary changes to ensure all benefit calculations are adequately supported and documented. (Repeated-2000)**

**REVIEW: 4164**

**Findings:** DHS did not properly calculate benefits for the Medicaid and TANF programs. During test work over Medicaid and TANF beneficiary payments, 60 case files (30 Medicaid and 30 TANF) were reviewed for compliance with eligibility requirements and allowability of related benefits. In one Medicaid case, DHS paid a benefit of \$49.50 on behalf of an individual whose case had been cancelled effective November 1999. In one TANF, DHS calculated a benefit amount which resulted in an overlap of eight days and an overpayment of \$138.

**Response:** Accepted. IDHS continually reviews its process for determining Medicaid and TANF benefits. However, any system is subject to human error. The process for determining benefits is adequate as evidenced by the small amount of errors in this finding. When a benefit calculation error is found it is promptly rectified by either the establishment of an overpayment claim, or the correction of an underpayment.

**16. Establish procedures to review and certify the accuracy of the clearance pattern for administrative draws at least once every five years. Such procedures should include performing a statistical study to compute the actual clearance pattern of each program.**

**Findings:** DHS has not reviewed or recertified the accuracy of the clearance pattern specified in the Treasury-State agreement related to the draw down of federal funds. The current pattern was established in 1993. Federal regulations state that an authorized State official shall recertify the accuracy of the clearance pattern at least every five years.

**Response:** Accepted. The Department continues to obtain and analyze information relative to clearance patterns for various programs. Expected completion date is by August 30, 2002.

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES (DCFS)  
Recommendations 17 through 26**

**17. Continue maintaining supporting documentation for all expenditures (adjustments) included on the Foster Care and Adoption Assistance quarterly claims. (Repeated-2000)**

**Findings:** DCFS was not able to provide documentation to support all adjustments made on Adoption Assistance and Foster Care claims resulting in an inability to audit the program as required by OMB Circular A-133.

DCFS was not able to provide adequate supporting documentation to test for allowability and period of availability for expenditures that were incurred and paid prior to July 1, 2000 but not claimed for reimbursement under the Adoption Assistance and Foster Care programs until the fiscal year ended June 30, 2001. Under these programs, DCFS provides services to beneficiaries regardless of whether the expenditures will be eligible

**Department of Children and Family Service - continued**

for federal reimbursement. Accordingly, expenditures are typically incurred and paid for with State funds and subsequently claimed for reimbursement under the programs if they are determined eligible. As a result, expenditures are often incurred in one quarter and claimed in subsequent periods.

Failure to identify the period in which adjustments are claimed to the Adoption Assistance and Foster Care programs inhibits the ability to perform an audit of the programs in accordance with federal regulations.

**Response:** Accepted. The Department continues to maintain the data to support a claimed expenditure and any subsequent adjustments. We have maintained the necessary files to support all adjustments for FY02.

**18. Implement procedures to ensure:**

- **OMB Circular A-133 Reports are received within 180 days subsequent to subrecipient's year-end.**
- **Desk reviews are performed on a timely basis for OMB Circular A-133 reports including review of reports, follow up on subrecipient findings and implementation of corrective action plans, receipt and review of applicable management letters, and documentation of such review.**
- **OMB Circular A-133 reports are reconciled to financial information in subrecipient files.**

**Evaluate the current staffing of the monitoring department to ensure resources are adequate, and consider revising on-site monitoring policy for federal programs to use a risk based approach for selecting subrecipients for on-site visits. (Repeated-1999)**

**Findings:** DCFS is not adequately monitoring subrecipients who receive TANF, Foster Care, and Adoption Assistance. In a sample of 50 subrecipient monitoring files out of a total of 110 subrecipients (totaling \$111 million of \$125 million in total federal expenditures), the auditors noted the following items of noncompliance:

- 24 subrecipients had submitted their required audit reports after the 180-day deadline. These files contained no documentation of an extension of the timeframe requirement by DCFS.
- 24 subrecipient files did not evidence any review of the A-133 audit reports received.
- Three subrecipient files contained A-133 audit reports which noted findings for which no corrective action plan was received and that were not followed-up on by DCFS.

## REVIEW: 4164

- One subrecipient file contained audited financial statements which identified that management letter was issued, but which was not received or reviewed by DCFS.
- DCFS desk review reports issued to subrecipients did not include a requirement to file a corrective action plan as the result of any findings noted.

DCFS is not performing on-site monitoring visits to review internal controls or the fiscal and administrative capabilities of its subrecipients. None of the 50 subrecipients selected for test work had been subject to an on-site review within the last three years.

In discussing these conditions with DCFS officials, they state the Department has had a staffing shortage in the Provider of Service Monitoring Office.

**Response:** Accepted. DCFS is reviewing current procedures and practices in order to strengthen the monitoring function. DCFS has completed the desk reviews for all audits received in FY01, and contacted subrecipients who did not send in audits. DCFS is evaluating the results of the desk reviews to determine if on-site visits are necessary to resolve any pending questions.

### **19. Continue to work with IDPA to properly identify, report, and remit child support collection made on behalf of Foster Care beneficiaries to the USDHHS as appropriate.**

**Findings:** DCFS has not reported or remitted child support collections from non-custodial parents for beneficiaries of the Foster Care Program. DPA has not remitted child support collections to DCFS from the non-custodial parents of beneficiaries of the Foster Care program. DPA collects child support payment from non-custodial parents for individuals receiving other forms of public assistance and for individuals who have applied for assistance in collecting child support payments. Child support collections required to be credited against the Foster Care program totaled \$854,775 at June 30, 2001. Failure to report and remit child support collections for Foster Care beneficiaries results in expenditures being claimed for federal reimbursement which have already been recovered from the non-custodial parent.

DCFS officials stated that DCFS has no report and remit responsibilities. Those responsibilities are clearly with another State agency.

**Response:** Not Accepted. DCFS is not a party to this “failure” finding except to the extent that the failure rendered impossible, execution of other federal funding related tasks that DCFS successfully accomplished both before and since, except during the time of the other agency’s “failure”. The DCFS task requires making adjustments to federal Title IV-E claiming. Such claiming, and related claiming adjustments are only

**Department of Children and Family Services - continued**

permitted to be made in association with specific child identifications. If DCFS had agreed to make claiming adjustments without being provided the necessary child identifications it would have been party to justifiable “failure”.

**Auditor Comment:** From the perspective of the State, there was clearly a failure to report and remit child support collection to the USDHHS. The exact cause and which agency is responsible could not be determined.

**20. Stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with federal requirements. Consider disciplinary action for those caseworkers that do not comply with this requirement. (Repeated-1999)**

**Findings:** DCFS failed to prepare all initial case plans within 60 days for Child Welfare Services beneficiaries. During review of 50 case files, it was noted that 15 of the initial case plans were not prepared timely, ranging from 3 days to 2 months over the federal requirement.

DCFS indicated the untimely preparation of case plans was due to the high volume of cases assigned to caseworkers.

**Response:** Accepted. The Department continues to stress the importance of initial service plan preparation as an essential component of quality service to children and families, as well as a federal compliance requirement. Internally, the Department has made review of initial service plan compliance a component of our ACR (Administrative Case Review) and our QI (Quality Improvement) processes. Externally, federal cognizant agency Title IV and eligibility audits, COA (Council on Accreditation) reviews have found recent improved initial service plan compliance.

**21. Use the allocation methods defined in the approved Public Assistance Cost Allocation Plan (PACAP) or amend the PACAP to reflect the allocation methods DCFS is currently using.**

**Findings:** DCFS uses cost allocation methods not included in or inconsistent with those defined in the PACAP to allocate costs to its federal programs. The PACAP does not fully define all steps necessary for the allocation of four appropriation codes (general ledger expenditures accounts). Management has established procedures (methodology) to allocate these appropriation codes, but has not revised the PACAP to incorporate the changes. One appropriation code was not allocated to the (organizational) units of DCFS in accordance with the methodology describe in the PACAP.

**REVIEW: 4164**

**Response:** Accepted. The Department has already submitted a request to amend the current PACAP to reflect the allocation method currently being used.

- 22. Review procedure for recording and claiming expenditures and implement any changes necessary to ensure only allowable costs are included in cost pools. Emphasize the importance of strong communication channels between individuals coding and recording expenditures and those accumulating the cost pools to ensure any known unallowable costs are identified and removed prior to accumulating the cost pools for allocation.**

**Findings:** An unallowable expenditure was charged to the Foster Care program through the PACAP. During review of 69 administrative expenditures included within the cost pools of the PACAP totaling \$7.1 million, the auditors noted one unallowable expenditure of \$250,000 for a legal settlement paid to a DCFS foster care provider. The federal portion of the legal settlement was \$67,123.

**Response:** Accepted. The Department has amended the claim for this unallowable cost. Additionally we have added a review of this line in the cost pool to identify and remove any future unallowable costs from the pool, prior to being included in the claim.

- 23. Review process for determining eligibility and entering related codes in the client database and consider necessary changes to ensure accurate information is provided for the federal claiming and reporting process.**

**Findings:** DCFS claimed emergency assistance payments totaling \$7,519 under TANF for an ineligible child. DCFS officials stated the occurrence was due to a typing error when a data entry person typed the last character of the Public Aid ID incorrectly. The number entered was actually for a different child who was eligible for the benefits.

**Response:** Accepted. The Department has informed DHS of this error so that they may adjust the next claim for this unallowable cost. Further, we are researching the need to continue using the Public Aid ID.

- 24. Review the current process for reporting federal expenditures to the IOC to include a reconciliation of the reporting packages to the accounting system and reports submitted to USDHHS. Ensure a supervisory review is performed by a person knowledgeable of the reporting requirements prior to submission to the IOC.**

**Findings:** DCFS did not adequately perform a review of federal expenditures reported to the State Comptroller. Child Welfare Services (CWS) from federal sources were overstated by approximately \$7 million.

## REVIEW: 4164

**Response:** Accepted. The Department has sent amended reports to the Illinois Office of the Comptroller. We have changed the format of our internal data collection forms. We have also improved our review process to include reconciliation against prior year reports and an analysis of material differences.

### **25. Review the current assignment of responsibilities relative to modifying the federal claiming system and revise procedures to ensure an adequate segregation of duties exist between the development, implementation, and the review and approval of changes to the federal claiming tables.**

**Findings:** There is not adequate segregation of duties in maintaining the data tables of the federal claiming system. During test work, the auditors noted the system maintenance and changes to the data tables within the federal claiming system, as well as the subsequent review of system change audit trail reports were performed by the same person. An additional independent review of such changes was not performed. The audit found no instances of improper changes.

**Response:** Implemented. The Department has corrected this issue. The individual's access to perform system maintenance has been removed. A process has been designed to ensure proposed changes to the data tables will be reviewed prior to being submitted to the Office of Information Systems (OIS). OIS will make the requested changes and an audit trail report will be generated. This report will be reviewed and retained to support the requested changes were made and approved.

### **26. Utilize actual costs to calculate indirect cost rate, and ensure adequate documentation exists to support all pools included in the calculation of the cost rate.**

**Findings:** DCFS improperly used an estimate of equipment expenditures in calculating the indirect cost rate used during the audit period. During test work of the cost pools used to calculate the indirect cost rate, the auditors noted that DCFS used an estimate of \$498,135 for equipment expenditures. The estimate was based on an amount carried forward from prior years. To be allowable under federal awards, costs must represent charges for actual costs, not budgeted or project amounts.

**Response:** Accepted. Since the fiscal impact of equipment costs in the total indirect cost rate is insignificant, the Department has chosen not to seek ffp (federal financial participation) recovery for equipment costs, until such time as the Department has an auditable property and equipment asset cost valuation.

**ILLINOIS STATE BOARD OF EDUCATION (ISBE)  
Recommendations 27 through 32**

**ILLINOIS STUDENT ASSISTANCE COMMISSION (ISAC)  
Recommendations 33 through 36—reviewed July 2002**

**DEPARTMENT OF TRANSPORTATION (DOT)  
Recommendation 37**

**ILLINOIS EMERGENCY MANAGEMENT AGENCY  
Recommendation 38**

**DEPARTMENT OF NATURAL RESOURCES (DNR)  
Recommendations 39 through 44**

**DEPARTEMENT OF COMMERCE AND COMMUNITY AFFAIRS  
Recommendation 45**

**ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY  
Recommendation 46**

**CRIMINAL JUSTICE INFORMATION AUTHORITY (CJIA)  
Recommendations 47 through 49**

**DEPARTMENT OF CORRECTIONS (DOC)  
Recommendation 50**