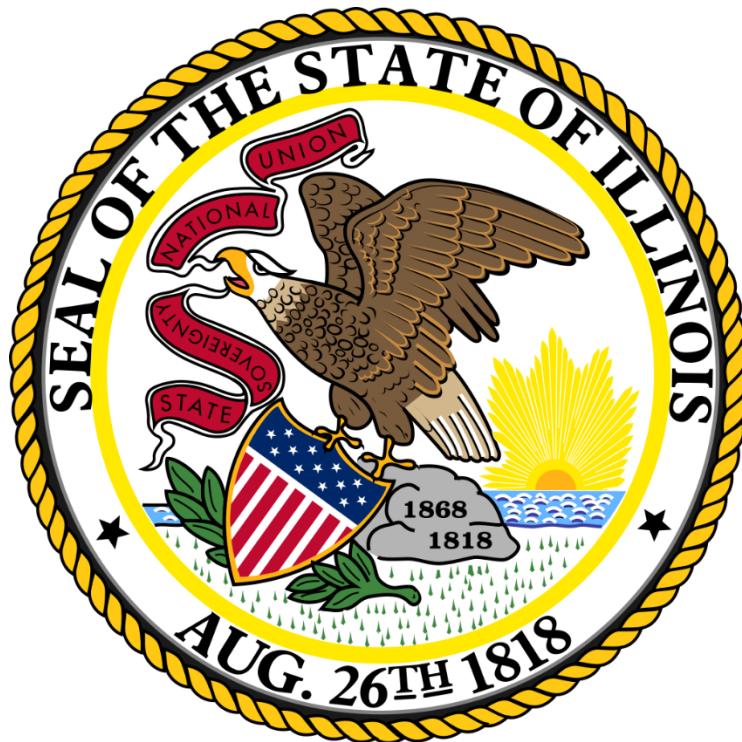


LEGISLATIVE AUDIT COMMISSION



Review of
Department of Human Services
Year Ended June 30, 2020

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

REVIEW # 4524: FY20 Financial Audit – DHS

REVIEW: #4524 DEPARTMENT OF HUMAN SERVICES YEAR ENDED JUNE 30, 2020

FINDINGS/RECOMMENDATIONS – 13

IMPLEMENTED – 6 PARTIALLY IMPLEMENTED – 7 ACCEPTED - All

REPEATED RECOMMENDATIONS – 9

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 12

This review summarizes the auditors' report on the Department of Human Services, for the Year ended June 30, 2020, filed with the Legislative Audit Commission on June 30, 2021. The auditors conducted a financial audit in accordance with state law and Government Auditing Standards and stated that the financial statements of the Department of Human Services as of and for the year ended June 30, 2020 are fairly stated in all material aspects.

Illinois House Bill 2632 created the Illinois Department of Human Services (Department) which on July 1, 1997 consolidated the Departments of Alcoholism and Substance Abuse, Mental Health, Developmental Disabilities and Rehabilitation Services, along with the client-centered services provided through the Departments of Children and Family Services, Healthcare and Family Services and Public Health. The Department established as its primary mission to assist Illinois residents to achieve self-sufficiency, independence and health, to the maximum extent possible, by providing integrated family-oriented services, promoting prevention and establishing measurable outcomes, in partnerships with communities.

The Secretary of the Department during the audit period was Ms. Grace Hou, appointed Secretary in March 2019. Ms. Hou served as Assistant Secretary at DHS from 2003 until 2012. Ms. Hou also recently served as the President of Woods Fund Chicago from February 2012 to March 2019. Woods Fund Chicago is a bold grant making foundation. Early in her career, she was the Executive Director of the Chinese Mutual Aid Association (CMAA) and has been a vocal advocate for immigrants' rights.

DHS Mission Statement:

Providing equitable access to social/human services, supports, programs and resources to enhance the lives of all who we serve.

DHS Vision Statement:

All people in Illinois achieve their full potential.

REVIEW # 4524: FY20 Financial Audit – DHS

DHS Values: Human Dignity, Equity, Community Informed, Urgency, Transparency and Kindness.

DHS Goals:

- Maximize opportunities for all people to work;
- Ensure hungry people and families have access to nutritious food;
- Ensure a place to call home for people who are housing unstable or homeless;
- Improve access to health care and home supports;
- Staff and residents of DHS 24/7 facilities are safe;
- Make Illinois the model state for Behavioral Health including mental health Treatment, Substance Use Prevention and Recovery;
- Launch and implement equity agenda;
- Create a system where young children can thrive.

DHS Operations:

Office of the Secretary

- [DHS Secretary](#) - Grace B. Hou
 - [DHS Chief of Staff](#) - Ryan Croke
 - Assistant for Special Projects/Deputy Chief of Staff - Hina Mahmood
 - Communications - Marisa Kollias, Director
 - Grants Administration - Jose Ponce, Director
 - Hispanic/Latino Affairs - Elizabeth Diaz Castillo, Director
 - Legislative Affairs - Andre Jordan, Director
 - Assistant Secretary for Violence Prevention - Christopher Patterson
 - Statewide Homelessness Chief - Christine Haley
 - Senior Immigration Fellow - Ruth Lopez-McCarthy
 - Civil Affairs, EEO/AA - Jayesh "Jay" Hines-Shah, Officer
 - General Counsel - John F. Schomberg
 - Inspector General - Peter Neumer
 - Internal Audit - Amy Macklin, Chief
 - Strategy, Equity and Transformation - Caronina Grimble, Director

Program Divisions

- [DHS Assistant Secretary of Programs](#) - Kia Coleman
 - Division of Developmental Disabilities - Allison Stark, Director
 - Division of Early Childhood - Kirstin Chernawsky, Director
 - Division of Family and Community Services - Tim Verry, Director
 - Division of Mental Health - David Albert, Director
 - Division of Rehabilitation Services - Rahnee Patrick, Director
 - Division of Substance Use Prevention and Recovery - David T. Jones, Director

Operations

- [DHS Assistant Secretary of Operations](#) - Dulce Quintero
 - Chief Financial Officer - Robert Brock
 - Budget - Tiffany Blair, Director
 - Contract Administration - Brian Bond, Director
 - Chief Accountability Officer, Gary Kramer

REVIEW # 4524: FY20 Financial Audit – DHS

- Fiscal Services - Connie Sabo, Director
- Chief Information Officer - Steve Buche
- Chief Operating Officer - Francisco Du'Prey
 - Business Services - Paul Hartman, Director
 - Clinical, Administrative & Program Support - Jennifer Aring, Director
 - Procurement - Jean Sandstrom, Agency Procurement Officer
- Human Resources - Brittany Hendricks, Chief People Officer
 - Labor Relations - Edward Jackson, Director

2019 Key Facts:

Developmental Centers

	Avg # Employees	Avg # of Residents	Avg Yearly Cost Per Resident	Ratio of Employees to Residents
Fox	215	88	\$320,300	2.45:1
Kiley	434	195	\$312,700	2.23:1
Ludeman	729	372	\$259,800	1.96:1
Mabley	200	108	\$243,100	1.85:1
Murray	490	231	\$290,900	2.12:1
Shapiro	1,087	469	\$280,000	2.32:1

Mental Health Centers

	Avg # Employees	Avg # of Residents	Avg Yearly Cost Per Resident	Ratio of Employees to Residents
Chester	432	267	\$248,400	1.62:1
Chicago-Read	282	136	\$371,700	2.08:1
Elgin	634	350	\$295,200	1.81:1
Madden	232	90	\$448,300	2.57:1
McFarland	227	137	\$273,700	1.66:1
Alton	230	104	\$369,900	2.21:1
Treatment & Detention Facility	226	553	\$67,800	0.41:1

Mental Health & Developmental Center

	Avg # Employees	Avg # of Residents	Avg Yearly Cost Per Resident	Ratio of Employees to Residents
Choate	531	229	\$317,900	2.32:1

REVIEW # 4524: FY20 Financial Audit – DHS

Rehabilitation Services

	Avg # Employees	Avg # of Residents	Avg Yearly Cost Per Resident	Ratio of Employees to Residents
IL Center for Rehab & Ed (Roosevelt)	51	53	\$87,900	0.96:1
IL School for Visual Impaired	12	108	\$72,300	1.04:1
IL School for the Deaf	205	265	\$65,200	0.77:1

Revenues

Revenues for FY19 and FY20 are summarized as follows:

Revenues (in thousands)	FY19	FY20
Program revenue: charges for services	\$ 53,718.00	\$ 48,358.00
Program revenue: operating grants	\$ 4,649,837.00	\$ 5,344,796.00
General revenue: taxes, interest and other	\$ 12,113.00	\$ 8,294.00
Total	\$ 4,715,668.00	\$ 5,401,448.00

Revenues from Governmental Funds were \$5.4 billion in FY20, an increase of approximately \$685.8 million, or 14.5%, from FY19. The increase was attributable to a \$695 million in operating grants. Recommendation #3 is related, in part, to revenues not being recorded to the correct fund. (Source: OAG Summary Report digest)

Expenditures

Expenditures for FY19 and FY20 are summarized as follows:

Expenditures	FY19	FY20
Health and social services	\$ 8,659,346.00	\$ 9,752,995.00
Debt service - principal	\$ 525.00	\$ 658.00
Debt service - interest	\$ 823.00	\$ 759.00
Capital outlays	\$ 38,810.00	\$ 2,379.00
Total Expenditures	\$ 8,699,504.00	\$ 9,756,791.00

Expenditures from Governmental Funds were \$9.8 billion in FY20, an increase of approximately \$1.1 billion, or 12.2%, from FY19. The increased expenditure was largely attributable to a \$1.1 billion in increased spending in the Health and Social Services line item.

REVIEW # 4524: FY20 Financial Audit – DHS

(Source: OAG Summary Report digest)

Net Position

DHS' total balance of its net position showed a deficit of approximately \$11.1 billion dollars at the end of FY20, increasing the deficit by \$682.9 million since the end of FY19. The total net position is comprised of the General Fund, Other Non-major Funds and Adjustments. The sum total of the adjustments from all funds during FY20 was (\$11.5 billion).and can largely be attributed to the unrestricted net position (deficit) line item. There was a similar adjustment in FY19.

Fund Deficits

The CMS vs AFSCME Wages Trust Fund and Care Provider Fund for Persons with a Developmental Disability, subaccounts of the General Fund, had fund deficits of \$140 million and \$275 million, respectively, at June 30, 2020. The Prevention and Treatment of Alcoholism and Substance Abuse Block Grant Fund, DHS Federal Projects Fund, Alcoholism and Substance Abuse, USDA Women, Infants and Children, and DHS Recoveries Trust Fund, non-major governmental funds, had fund deficits of \$5.3 million, \$2.7 million, \$7.5 million, \$74,000, and \$44.6 million, respectively, at June 30, 2020.

REVIEW # 4524: FY20 Financial Audit – DHS

Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Net Transfers	Balance June 30, 2020
Capital assets not being depreciated/amortized:					
Land and land improvements	\$ 2,889	\$ -	\$ -	\$ -	\$ 2,889
Construction in progress	<u>898</u>	<u>-</u>	<u>286</u>	<u>12,486</u>	<u>13,098</u>
Total capital assets not being depreciated/amortized	<u>3,787</u>	<u>-</u>	<u>286</u>	<u>12,486</u>	<u>15,987</u>
Capital assets being depreciated/amortized:					
Site improvements	78,374	-	312	-	78,062
Buildings and building improvements	560,573	-	11,199	3,039	552,413
Equipment	33,840	2,015	2,281	-	33,574
Capital leases - equipment	1,714	364	414	-	1,664
Non-internally generated software	204	-	-	-	204
Internally generated software	<u>255,433</u>	<u>-</u>	<u>-</u>	<u>7,613</u>	<u>263,046</u>
Total capital assets being depreciated/amortized	<u>930,138</u>	<u>2,379</u>	<u>14,206</u>	<u>10,652</u>	<u>928,963</u>
Less accumulated depreciation/amortization:					
Site improvements	75,268	888	279	-	75,877
Buildings and building improvements	462,564	9,455	9,454	-	462,565
Equipment	25,123	1,733	1,675	-	25,181
Capital leases - equipment	774	612	414	-	972
Non-internally generated software	180	16	-	-	196
Internally generated software	<u>68,734</u>	<u>25,904</u>	<u>-</u>	<u>-</u>	<u>94,638</u>
Total accumulated depreciation/amortization	<u>632,643</u>	<u>38,608</u>	<u>11,822</u>	<u>-</u>	<u>659,429</u>
Total capital assets being depreciated/amortized, net	<u>297,495</u>	<u>(36,229)</u>	<u>2,384</u>	<u>10,652</u>	<u>269,534</u>
Total capital assets, net	<u>\$ 301,282</u>	<u>\$ (36,229)</u>	<u>\$ 2,670</u>	<u>\$ 23,138</u>	<u>\$ 285,521</u>

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2020 was charged as follows:

Health and social services	\$ <u>38,608</u>
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REVIEW # 4524: FY20 Financial Audit – DHS

Long-term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2020 were as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Other long-term obligations:					
Compensated absences	\$ 57,152	\$ 98,165	\$ 88,579	\$ 66,738	\$ 5,872
Capital lease obligations	1,183	364	658	889	612
OPEB liability	6,008,782	828,887	-	6,837,669	-
Net pension liability - SERS	6,730,608	269,729	-	7,000,337	-
Net pension liability - TRS	1,017	-	279	738	-
Totals	<u>\$ 12,798,742</u>	<u>\$ 1,197,145</u>	<u>\$ 89,516</u>	<u>\$ 13,906,371</u>	<u>\$ 6,484</u>

The OPEB liability increase over \$800 million dollars from the beginning of FY18 to the end of FY20.

DHS leases office and computer equipment with a historical cost and accumulated depreciation (amounts expressed in thousands) of \$1,664 and \$972, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 612	\$ 236	\$ 848
2022	270	58	328
2023	7	-	7
Totals	<u>\$ 889</u>	<u>\$ 294</u>	<u>\$ 1,183</u>

DHS operates two coal-fired power plants, and has one idle plant that produces electricity and steam for certain facilities. DHS also has one decommissioned x-ray unit which may contain hazardous materials. When these plants are ultimately retired, the State of Illinois will incur costs associated with legally-required disposal and environmental remediation activities. Any hazardous materials contained in the x-ray unit will also require safe disposal. At this time, the State of Illinois does not have sufficient information available to provide a reasonable estimate of these related asset retirement obligations.

Accountants' Findings and Recommendations

Condensed below are the 13 findings and recommendations included in the audit report. Of these, nine are repeated from the previous audit. The following recommendations are classified on the basis of information provided by DHS, via electronic mail received June 30, 2021.

1. **The auditors recommend DHS assume more responsibility for the transactions and balances reported in its financial statements that are initiated/estimated by other State agencies, including the following:**
 - **DHS should enter into an interagency agreement (IGA) with HFS that details the responsibilities of each agency with regards to initiating, processing and recording transactions, and how the sufficiency of internal control over DHS transactions will be monitored (i.e. annual internal audit, SOC 1 Type 2 audit, or other).**
 - **Once an IGA is executed, on a regular basis, DHS should determine if the control system and related monitoring agreed to through the IGA is sufficient to prevent and detect significant financial statement errors. The sufficiency of internal control should be monitored each time there is a major change to MAP/CHIP programs or IT systems used for those programs.**
 - **Expenditure and accrual amounts provided by HFS in connection with year-end reporting of Federal MAP receivables should be reconciled to CARS or agreed to reports and source data compiled by HFS.**

FINDING: *(Medical Assistance Program Financial Information)*

During testing of the financial statements and supporting documentation, auditors noted the following:

- DHS could not provide documentation of the preparation, or DHS' review of expenditure reconciliations for Federal Medical Assistance Program (MAP) funds or the State Children's Health Insurance Program (CHIP) (Funds 0120, 0142, 0211, 0365, 0502, 0509 and 0718) between amounts reported in DHS' Consolidated Accounting and Reporting System (CARS) and amounts reported in the Grant/Contract Analysis Forms (Form SCO-563s) provided to the Office of Comptroller (IOC) which support the receivable calculation for financial reporting. The amount per the Form SCO-563s (totaling approximately \$377.4 million for total reimbursable costs "TRC" for CFDA 93.767 and 93.778) is a computed amount (a formula), essentially the amount needed to achieve the reported receivable balance provided by HFS. DHS does not retain a reconciliation between what is reported on the Form SCO-563s (claimable expenditures) and within CARS (all

REVIEW # 4524: FY20 Financial Audit – DHS

expenditures) for each fund. Additionally, there is no documentation maintained by DHS to support the calculation and methodology used by HFS in preparing the federal receivable amount (approximately \$12.8 million for the two programs).

- During testing of expenditures and liabilities, auditors determined that DHS is not monitoring or reviewing the payments submitted by HFS, or the liabilities calculated by HFS, on behalf of DHS and reported in DHS' financial statements. When HFS submits a request for payment to the IOC, a summary file is also sent to the Department which goes through an interface and is recorded into CARS. An employee in DHS' Fiscal Services Bureau reconciles the payments between CARS and the IOC before accepting them into CARS. Although, DHS has documented their understanding of how transactions for DHS programs are processed within HFS, DHS was not able to provide auditors with documentation of their monitoring performed over the amounts reported in DHS' financial statements. Additionally, auditors noted DHS management is placing reliance on the internal control over the applicable HFS system application based on information obtained during HFS' State Compliance Examination for the two years ended June 30, 2017, which is outdated for transactions processed during FY20. Currently, DHS receives summarized information from HFS and records the transactions into CARS and the GAAP packages without performing sufficient procedures to determine the accuracy of the information.

This finding was first noted during DHS' financial audit of the one year ended June 30, 2017. In subsequent years, DHS has been unable to fully implement its corrective action plan.

DHS management indicated they relied on the HFS Bureau of Claims Processing and the controls in the Medicaid Management Information System (MMIS).

RESPONSE:

DHS accepts the recommendation. DHS will review current internal controls on Federal Medical Assistance Program transactions and balances reported in its financial statements that are initiated and estimated by other state agencies and seek improvements.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

1. Elevate the need for a statewide IGA for Medicaid processes to Executive Staff and determine path forward.
2. Research and document our Medicaid programs and transaction flows with attention specifically on internal controls.
3. Explore reconciliation options for expenditure and accrual amounts provided by HFS.

REVIEW # 4524: FY20 Financial Audit – DHS

(Estimated Date of Completion: CAP 1 - 12/31/2021 CAP's 2 & 3 – 8/31/2021)

2. The auditors recommend DHS obtain SOC 1 Type 2 reports, or perform independent reviews of internal control associated with all TPPs, at least annually. The independent reviews should include an assessment of the following five key system attributes, as applicable:
 - **Security** - The system is protected against both physical and logical unauthorized access.
 - **Availability** - The system is available for operation and use as committed or agreed.
 - **Processing integrity** - System processing is complete, accurate, timely and authorized.
 - **Confidentiality** - Information designated as confidential is protected as committed or agreed.
 - **Privacy** - Personal information is collected, used, retained, disclosed, and disposed of in conformity with Department requirements.

An independent review should also encompass the design and effectiveness of controls over the processing of DHS transactions for food instruments (WIC), Early Intervention and Home Based Services. An independent review should also be performed to determine the adequacy of general IT controls over IES that are to be performed by DoIT. In addition, DHS should perform an analysis to determine the need to obtain information as to any subservice organization's internal controls and perform reviews as needed.

FINDING: *(Lack of Adequate Controls over the Review of Internal Controls over Service Providers)*

DHS did not obtain independent internal control reviews over all third-party service providers.

During the audit period, DHS identified seven third-party service providers (TPP) which provided various services. Additionally, DHS determined six of the TPPs which provided services were material to their financial reporting process.

The services these six TPPs provided were:

1. Processing of negotiable food instruments (Women, Infants and Children (WIC) program) – TPP validates food instruments by performing data entry and system edits that either allow payment or cause return of the food instrument to the bank of first deposit. The TPP processed approximately \$160 million in WIC vouchers during the audit period.
2. Home Based Services (developmental disabilities program) – TPP processes timesheets for home based service workers, pays the workers, and files the related payroll tax returns. The TPP processed approximately \$150 million of transactions during the audit period.

REVIEW # 4524: FY20 Financial Audit – DHS

3. Provider claims processing for the Early Intervention (EI) program – TPP receives, reviews and approves claims from Providers, and provides claims data to the Department for payment. Approximately \$118 million in claims was approved for payment to the TPP during the audit period. The TPP also bills EI participants for their family participation fee (approximately \$6.3 million) and bills Medicaid for qualified services provided to EI participants (approximately \$40 million).
4. Infrastructure IT and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by the Department of Innovation and Technology (DoIT).
5. Electronic visit verification system for the Home Services program (HSP) personnel – The TPP processed approximately \$619 million of transactions during the audit period.
6. Processing of SNAP and cash assistance benefits for the Illinois LINK program– The TPP processed approximately \$3.3 billion of transactions during the audit period.

During testing, auditors noted DHS did not obtain a System and Organization Control (SOC) examination, SOC 1 Type 2, report for the first 4 of the 6 (67%) TPPs listed above, which are material to DHS' financial reporting process. Due to the lack of suitable SOC reports, we were unable to determine if these four TPP's internal controls were adequate or if they utilized subservice providers which should have been assessed. As a result, auditors were required to perform alternative procedures.

During the audit of the two SOC reports received, and through performance of alternative audit procedures for programs that did not obtain SOC reports, auditors noted:

SOC Reports Received:

- For the TPP which processes SNAP benefits (Electronic Benefit Transfer “EBT” of food stamps), the Independent Service Auditor had issued a qualified opinion for three consecutive years. When discussing the qualified opinion with DHS management, they stated monitoring procedures were performed over the TPP, with regards to the noted control deficiencies in the FY20 SOC 1 Type 2 report. Management deemed the report acceptable and would continue to monitor the implementation of the TTP's action plans in future SOC reports.
- For the two TPPs for which a SOC 1 Type 2 report was obtained, as of the end of fieldwork, management had not performed monitoring procedures over the subservice providers identified and, effectively, did not assess the potential impact of any control deficiencies on DHS' financial statements compliance with the provisions of laws, regulations and grant agreements, or the potential impact on DHS' clients.

Alternative Audit Procedures Performed (DoIT):

The Statewide IES application and data reside on the DoIT environment. In this regard, DoIT is a third party service provider to DHS. DHS did not obtain a SOC 1 Type 2 report

REVIEW # 4524: FY20 Financial Audit – DHS

for these services performed by DoIT and DHS did not perform alternative procedures to obtain evidence that all services were provided in a sufficient manner.

DHS is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. DHS is also responsible for the design and maintenance of internal controls relevant to financial reporting. These responsibilities are not limited due to the processes being outsourced to an external party or another state agency.

In order to determine if the environment is secure in which IES resides, auditors performed general IT controls testing over 30 IES servers housed at DoIT. As a result of the testing, auditors noted:

- 22 servers (73%) had operating systems which were unsupported,
- 20 servers (67%) were running on out-of-date antivirus and antivirus definitions, and
- 2 servers (7%) had no antivirus software installed.

Additionally, during HFS' internal security review completed as part of its Plan of Actions and Milestones (2020) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), the following significant threats were identified:

- Protected health information and personal identifiable information was exposed to shared service areas,
- Audit logs were not generated,
- Inadequate access provisioning,
- Inadequate server configurations, and
- Multifactor authentication was not enabled.

This finding was first noted during DHS' financial audit of the one year ended June 30, 2017. In subsequent years, DHS has been unable to fully implement its corrective action plan.

DHS management indicated contracts with various providers do not require the TPP to provide a SOC 1 Type 2 report. Failure to obtain subservice providers' reports was due to oversight. DHS management also indicated the IES Technical Refresh project has been delayed due to challenges in obtaining qualified staff needed to implement and sustain the project and issues in the Phase 2 database migration. In addition, some of DoIT Data Center staff time was applied to the support of frequent, multiple system releases in response to COVID-19.

RESPONSE:

DHS accepts the recommendation. During FY19, DHS began a process of identifying contracted third-party service providers by performing an analysis of the contractual third-

REVIEW # 4524: FY20 Financial Audit – DHS

party provider services and the contractual expenditures. This process is being performed and reviewed annually by DHS Office of Contract Administration.

DHS will also obtain an SOC 1 Type 2 and SOC 2 report from DoIT. The DoIT-IDHS Bureau of Information Security and Audit Compliance will review the SOC 2 report for MARS-E security control compliance, as required for IES ACA systems. DHS will review the DoIT SOC 1 Type 2 document when it is provided and will work with DoIT to obtain SOC reporting from its IES contractor.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

1. DHS established a procedure to ensure all contracted third party service providers are reviewed and considered when compiling a contracted third party service provider population annually, that procedure is being revised to ensure it also contains IT controls for SOC 2 Report third party service providers.
2. DHS has partially implemented the process of obtaining all contracted third-party service provider SOC Reports.
3. DHS is continuing to establish and implement processes and procedures for reviewing all contracted third-party service provider annual SOC Reports.
4. DHS is in the process of establishing procedures to ensure gaps in timing between the contracted third-party service providers SOC Reports and DHS's financial data are adequately addressed by alternate process within the DHS program areas or divisions.

(Estimated Date of Completion: 12/31/2022)

- 3. The auditors recommend DHS perform an assessment of the current policies and procedures and associated internal control over the deposit of federal award revenues and accounting for grant receivables and revenues. Federal grant reimbursement revenues should be deposited and recorded as revenue in the fund that incurs the qualifying expenditures used to claim the grant reimbursement.**

They also recommend management perform a detailed review of all statutes applicable to DHS and prepare an analysis of those which could have an impact on DHS' financial statements. The results of the review should be provided to those members of management charged with compliance for each impacted area, as well as members of management responsible for financial reporting.

REVIEW # 4524: FY20 Financial Audit – DHS

FINDING: *(Revenue not Recorded in the Correct Fund and Noncompliance with Statute)*

DHS does not have adequate controls over recording grant transactions. As a result, DHS' FY19 financial statements were misstated and the draft FY20 financial statements contained errors relating to the recording of federal grant transactions, the most significant of which was for the Child Care Assistance Program. Grant revenue that should have been deposited and recorded in the General Revenue Fund (Fund 0001) was instead deposited and recorded in the DHS Special Purposes Trust Fund (Fund 0408). Additionally, DHS did not comply with state law which required the amounts be deposited in Fund 0001.

During the audit, auditors noted the following errors in DHS' draft FY20 financial statements:

1. During FY19 and FY20, approximately \$71 million and \$51 million, respectively, in federal operating grant revenue was recorded in Fund 0408 that related to expenditures incurred in the Fund 0001. This resulted in an overstatement of the Fund 0408 fund balance and an understatement of the Fund 0001 fund balance of \$122 million at June 30, 2020 and \$71 million at June 30, 2019.

DHS management indicated at the time grant funds are drawn, the amount of expenditures incurred in individual funds is not known. Funds are deposited based upon projections of where expenditures will occur.

2. Amounts recorded for Due from Other Governments - Federal (receivable) pertaining to the Temporary Assistance for Needy Families grant (General Fund) was understated by approximately \$17.5 million. DHS management stated this error occurred due to human oversight when DHS staff prepared the draft FY20 financial statements.
3. During testing, auditors noted during FY19 a total of \$77,582,096 was deposited into Fund 0142 on behalf of DHS. This situation resulted in the incurrence of a liability to HFS of \$17.6 million (relating to the excess deposit). In FY20, the \$17.6 million liability was not paid to HFS by DHS. Instead, the related liability was incorrectly removed and revenue was increased.

DHS management indicated this error occurred due to human oversight.

When aggregating the errors above, auditors noted fund balance for Fund 0408 and Fund 0001 were overstated/understated respectively by \$122 million at June 30, 2020. Opening fund balance in Fund 0001 and Fund 0408 was restated by \$71 million and (\$71 million), respectively.

DHS management deemed the impact of items 2 and 3 above to be immaterial and did not record an adjustment. The errors associated with item 1 above were corrected in DHS' final financial statements.

REVIEW # 4524: FY20 Financial Audit – DHS

DHS did not record federal operating grant revenue in accordance with GAAP and did not comply with state law resulting in a misstatement of the FY19 financial statement and the draft FY20 financial statements.

RESPONSE:

DHS accepts the recommendation. DHS will review internal procedures on the deposit of federal award revenues and the accounting for grant receivables and revenues. DHS Fiscal Services will work with DHS Legal to explore opportunities for reviewing existing statutes to ensure statutes that impact the DHS' Financial Statements are identified.

UPDATED RESPONSE: Implemented.

Corrective Action in Progress:

1. Review and modify procedures for deposit of federal award revenues and accounting for grant receivables and revenues.
2. Review statutory language relating to DHS funds and forward documentation to DHS Legal for analysis.

(Estimated Date of Completion: 8/31/2021)

4. **The auditors recommend DHS continue to analyze all available collection data annually so the allowance balance is accurately reported in the financial statements. Significant changes in the allowance amount year over year, should be analyzed to determine if the change is reasonable and warranted. Further, they recommend DHS maintain sufficient detail to support the age and collectability of receivable amounts recorded in its financial statements.**

FINDING: *(Errors in Computing the Allowance for Doubtful Accounts)*

DHS did not correctly use all information it had available in determining the allowance for doubtful accounts leading to errors in various account balances.

During testing of the allowance for doubtful accounts for the DHS Recoveries Trust Fund (Fund 0921), auditors noted DHS was using incorrect receivable balances for two large programs: Aid to the Aged, Blind or Disabled (AABD) and Aid to Families with Dependent Children (AFDC) due to an error in classifying receivables between these two programs. Receivables for all programs collectively was correct, however the allocation of the total to these two programs was not correct.

DHS determines two allowance rates, one for the AFDC program receivables, and a second for all other program receivables. Because the AFDC program ended when replaced by the Supplemental Nutrition Assistance Program (SNAP) in 1998, the remaining AFDC balances are older and thus have a higher allowance rate (96.67%) than

REVIEW # 4524: FY20 Financial Audit – DHS

other programs (59.86%). Because the receivables for the AFDC program were misclassified into the wrong program (AABD), the resulting allowance amount was understated by the difference between the two allowance rates. As a result, the allowance for all programs recorded in Fund 0921 of \$250.8 million was understated by \$21 million. This understatement also had an impact on deferred inflows of resources for governmental funds (unavailable revenue), and revenue for governmental activities, each of which was overstated by \$21 million. The allowance is also used to estimate the amount of net receivables that is owed to the federal government for the AFDC program. As a result of the understatement in the allowance, the liability was overstated by approximately \$1 million. These errors were deemed immaterial by DHS and were not corrected in DHS' final financial statements.

DHS management indicated it made changes to its quarterly accounts receivable report in order to separate AABD and AFDC receivable amounts. When generating the new report, an error in the logic of the system being used to generate the data caused a miscalculation in the receivable amounts for these two program types.

RESPONSE:

DHS accepts the recommendation. DHS has corrected the logic in the quarterly accounts receivable report and will continue to analyze any significant changes in the allowance amount year over year.

UPDATED RESPONSE:

Corrective Action Implemented: Partially Implemented.

The Bureau of General Accounting will review the Quarterly Accounts Receivable Report (which is broken out by claim type) to ensure the amounts for each claim type are reasonable compared to previous quarters.

- 5. The auditors recommend the Departments (DHS and HFS) work together to:**
- **implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES,**
 - **complete certifications of applications and redeterminations timely, and**
 - **correct IES application errors.**

FINDING: *(Inadequate Controls over Eligibility Determinations and Redeterminations)*

Management of the Departments have shared responsibility for various human service programs in the state and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, redeterminations, Mid-Point Reports and maintenance items in order to determine eligibility and make payments for the State's human service programs.

REVIEW # 4524: FY20 Financial Audit – DHS

In order to conclude if the determination of eligibility was proper, auditors selected a sample of 60 cases (30 new applications and 30 redeterminations) and tested whether the cases were properly certified (approved or denied) based on non-financial, financial and timeliness criteria. Auditor's testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 13 of the 60 cases tested (21.7%), auditors noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification.

Specifically, auditors noted:

- For 2 cases (3.3%), the file did not include verification of residency;
- For 1 case (1.7%), the file did not include verification of citizenship;
- For 8 cases (13.3%), the file either did not include documentation to support the income calculation or the income was calculated improperly;
- For 3 cases (5.0%), the date verification documentation was received was either late or the date was not documented;
- For 2 cases (3.3%), the file did not contain an application or the application was incomplete; and
- For 5 cases (8.3%), the certification was not completed timely. For 1 SNAP case, the certification was 479 days late, and for 4 Medicaid cases, the certification was between 21 and 215 days late.

Departments' management indicated contributing factors for the exceptions noted include worker errors in manual processes, the high volume of work and the complexity of the programs involved.

Conditions noted in the FY19 audit that were impacted due to COVID-19

In the previous fiscal year, auditors tested SNAP cases to determine whether the Mid-Point Report (MPR) was timely certified, where applicable. For the current audit period, the U.S. Department of Agriculture, Food and Nutrition Services (FNS) granted waiver approval, under the Families First Coronavirus Response Act of 2020, which allows DHS to extend approval periods an additional 6 months for SNAP households whose benefits were due to expire March 2020, April 2020, and May 2020. As such, DHS did not have a backlog of MPRs as of June 30, 2020. For the other nine months of FY20, auditors did not note any exceptions for MPRs in our SNAP sample that were due before the waiver period.

In order to understand the functions performed by the caseworkers more fully, during FY19, auditors conducted on-site observations at three of DHS' local offices and noted various issues the caseworkers encountered in their utilization of IES while working with recipients. Due to safety measures related to COVID-19, auditors did not perform on-site observations during the FY20 audit.

Due to the impact of COVID-19 on the current audit, auditors were not able to determine if the Departments implemented sufficient corrective actions to address the MPR and

REVIEW # 4524: FY20 Financial Audit – DHS

Caseworker IES utilization issues noted in the FY19 audit. However, auditors do not believe any potential noncompliance related to the MPR reports, or caseworker utilization issues, would have a material impact on the financial statements of DHS or HFS.

Department of Human Services' Response:

DHS accepts the recommendation. Management staff will review current guidelines and quality checks for maintaining accurate and thorough case records as well as training resources on proper entry of income. DHS has worked to improve its processing timeliness by adding two statewide processing centers and increasing caseworker headcount and is in the process of adding a third statewide processing center.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation. HFS will work with DHS to develop policy guidance to remind eligibility workers of verification requirements, update and distribute training materials to clearly communicate and reinforce verification requirements and correct the medical processing errors noted.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

1. A management review will be held to determine if current guidelines and quality checks for maintaining accurate and thorough case records are functioning as needed.
2. Targeted training on correct calculation and data entry of income will continue to be assessed and as needed targeted training will be implemented regarding current policy requirements and business process procedures.
3. Working with the Statewide Processing Unit and DoIT, extract reports identifying pending requests for benefits coming due for certification will be identified and assigned for processing. The additional reports will allow for the identification of requests needing targeted action.
4. Two statewide processing centers have been created to work to address pending requests coming due on a statewide level.
5. A third statewide processing center is in the planning stages and will be created to aid in timely processing of requests

(Estimated Date of Completion: 12/31/2021)

6. **The auditors recommend management of the Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 or 30 days, as applicable.**

REVIEW # 4524: FY20 Financial Audit – DHS

Furthermore, they recommend the Departments establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely along with any change documentation received.

FINDING: *(Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation)*

As part of the procedures, auditors tested the Departments' compliance with the federal time requirements for approving or denying applications, conducting redeterminations, and working any changes communicated by recipients for the SNAP, TANF, and Medical programs.

Change Documentation

When a recipient encounters a change in their situation, which may have an impact on eligibility, the recipient is to notify the Departments of such change. As of June 30, 2020, the Departments had a backlog of 70,466 cases in which information had been received; however, not reviewed. Because the information had not been reviewed, the Departments did not know the program(s) which might be impacted. As such, we were unable to determine the timeliness of processing the information.

Although the Departments showed significant improvement in the timeliness of processing applications and redeterminations compared to the backlog noted in the prior year engagement, auditors noted the following for the current year:

Initial Applications

At June 30, 2020, the Departments had a backlog of 20,511 medical applications, 4,208 SNAP applications, and 2,223 TANF applications, for which the determination of eligibility to receive benefits was not completed timely.

Additionally, there were 8,989 applications in which the applicant did not specify the program; therefore, we were unable to determine the timeliness of the application.

Redeterminations

As of June 30, 2020, DHS had not timely redetermined the eligibility of 881 SNAP and/or TANF recipients to continue receiving benefits upon receipt of redetermination information from the recipient. In addition, DHS had received redetermination information from 1,145 SNAP and/or TANF recipients; however, due to a defect within IES, the date the information was received was not documented. Because the received date was missing, auditors were unable to determine the timeliness of these redeterminations.

REVIEW # 4524: FY20 Financial Audit – DHS

Departments' management indicated the lack of staff contributed to the delays in completing the applications, redeterminations and other information within the required timeline.

Department of Human Services' Response:

DHS accepts the recommendation. To ensure case processing within required timeframes, statewide processing management will be utilized to review and assign outstanding requests coming due to certification. DHS has worked to improve its processing timeliness by adding two statewide processing centers and increasing caseworker headcount and is in the process of adding a third statewide processing center.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation. HFS will work with DHS to maintain eligibility staffing levels to assure continued reductions in applications pending over 45 days and to be prepared to handle work associated with, once again, sending redeterminations forms after the public health emergency ends. If necessary, HFS will develop additional strategies based on Federal CMS guidance to the State regarding requirements for resuming full redetermination processing at the end of the public health emergency.

UPDATED RESPONSE:

Corrective Action in Progress: Partially Implemented.

1. Working with the Statewide Processing Unit and DoIT, extract reports identifying pending requests for benefits coming due for certification will be identified and assigned for processing. The additional reports will allow for the identification of requests needing targeted action.
2. Two statewide processing centers have been created to work to address pending requests coming due on a statewide level.
3. A third statewide processing center is in the planning stages and will be created to aid in timely processing of requests.

(Estimated Date of Completion: 12/31/2021)

7. **The auditors recommend management of both Departments work together to strengthen controls in the Change Management Policy and Procedure by including:**
 - **Specific requirements for the prioritization or classification of changes,**
 - **Definitions of the numerical grading for determining impact,**
 - **Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and**

REVIEW # 4524: FY20 Financial Audit – DHS

- **Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required.**

They also recommend the Departments improve monitoring of established internal control to improve adherence to the control system by Department employees and consultants.

FINDING: *(Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data)*

IES Application Changes Policies and Procedures

Based on the review of the April 20, 2020 IES Change Management Plan (Plan), auditors noted the Plan did not:

- Define the requirements for the prioritization or classification of changes,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

Testing of IES Application Changes

Due to the IES Change Management Plan limitations noted above, the scope of the audit procedures was limited to the Departments' testing and approval of IES changes, prior to placing them into production. Auditors could not perform other change management controls, which would otherwise be typically tested, as they were not included in the Plan.

In testing of IES application changes, auditors were unable to identify the approval of production data fix change for 1 of 40 (2.5%) changes tested.

The Departments' Change Management Policy and Procedure requires each change to IES have impact scores completed, Departments' approval of the requirements and design documents, Remedy ticket, release notes, and be approved by the IES Bureau Chief to move the change to the production environment.

The Departments' management indicated they believed the existing change management plan was sufficient. In addition, the Departments indicated the weaknesses identified during detailed testing was due to human error.

Department of Human Services' Response:

DHS accepts the recommendation. DHS will update its Change Management policy and the documentation of its various steps.

Department of Healthcare and Family Services' Response:

REVIEW # 4524: FY20 Financial Audit – DHS

HFS accepts the recommendation. HFS will work with DHS to review its Change Management policy and procedure to assure it meets the auditor recommendations and its documentation approval process.

UPDATED RESPONSE: Implemented.

Corrective Action in Progress:

1. Review Change Management policy and procedure to assure proper prioritization of changes, impact (numeric grading) designation, test scripts and results, impact analysis design and other documentation.
2. Review and modify documentation of the various steps and responsible individuals in the Change Management approval process.

(Estimated Date of Completion: 1/31/2022)

8. The auditors recommend management of the Departments enhance internal control over IES access by adopting a formal written policy or procedure requiring:

- Documented approval from regional monitors that access changes were made as directed. The policy/procedure should address the form in which such approval will be documented, the number of days in which approvals (or corrections) should be communicated by the regional monitors, and the individual or division responsible for maintaining the documentation.
- A regular review of access rights compared to access change requests, to ensure all requested changes have been made. The documentation of this review should indicate the individual performing the procedure and the date it was performed. It should also indicate any additional user access changes that were identified as a result of the review. The required frequency of this review (weekly, monthly, twice-yearly) should also be clear in the written policy or procedure.
- The written policy or procedure addressing the review of access rights should include a requirement to review entitlements granted.

FINDING: *(Inadequate Access Review Procedures for the Integrated Eligibility System (IES))*

During the audit, auditors noted the following deficiencies in the user access review procedures performed by the Departments:

- Evidence of timely affirmative responses from the regional monitors, noting IES access has been corrected and validated, was not tracked or documented.

REVIEW # 4524: FY20 Financial Audit – DHS

- Validation was not retained showing required cleanups of access reviews were completed, except for manually reviewing month to month reports which is not documented.
- There is insufficient evidence retained to conclude the access review included a review of entitlements.

Additionally, during testing of the Departments' access provisioning policies, auditors noted the policies did not define the time period in which the Departments were required to disable a terminated individual's system access.

The Departments' management indicated the access review exceptions were due to a lack of formal policies addressing communication of the status of follow up actions taken. Management indicated they run a script every 90 days to identify the reasonableness of users, however they do not have a documented policy of how quickly terminated users should be removed.

Department of Human Services' Response:

DHS accepts the recommendation. Late in FY20, DHS published on its OneNet additional details regarding the review and termination of IES access by the Regional Systems Monitors. Furthermore, DHS will document procedures to include return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees to the access requested.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation. HFS will amend its written policy and procedures to address the review of access rights to include a review of entitlements granted.

UPDATED RESPONSE: Implemented.

Corrective Action in Progress:

1. Make additional policy and procedure verbiage updates to include specifics of documented approvals from regional monitors, where and how it is documented, the timeframe for response from regional monitors and the individual/division responsible for maintaining the documentation. (IES User Termination of Access Policy)
2. Add policy/procedure updates to include and perform periodic review of current access rights compared to access change request. Document who performs the review and any access changes that result from the review. (IES User Termination of Access Policy)

(Estimated Date of Completion: 12/31/2021)

9. **The auditors recommend the Departments work with DoIT to allocate sufficient resources in order to provide the ability to fully recover IES in the**

REVIEW # 4524: FY20 Financial Audit – DHS

event of a disaster. Additionally, in the interim, they recommend the Departments work with DoIT to develop a prioritization plan and emergency operating procedures to allow IES to operate under reduced capacity in the event of a disaster.

They recommend management of the Departments enhance the Disaster Recovery Plan to include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- The current environment for all areas.

Additionally, they recommend the Departments perform disaster recovery testing on a regular basis as defined in the Plan.

FINDING: *(Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES))*

The Departments did not have full disaster recovery functionality and consequently had not conducted disaster recovery testing over IES during the audit period.

In addition, DHS' Disaster Recovery Plan (Plan) addresses the recovery and operation of IES. However, auditors noted the Plan did not include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- Did not fully depict the current environment.

The Departments' management indicated they had not yet addressed the disaster recovery (DR) plan and controls due to issues in the Phase 2 database migration that have impacted the start of the subsequent phases of the Tech Refresh. Management also indicated full DR functionality is not yet available in the current IES environments as it has outgrown the capacity of the legacy DR hardware. Further, management indicated the IES DR Plan cannot be accurately documented and a complete, end-to-end DR exercise cannot take place until a new DR environment at an Alternate Data Center is completed and tested.

Department of Human Services' Response:

DHS accepts the recommendation. DHS will work with DoIT to complete the Information System Contingency Plan (ISCP) and conduct a tabletop disaster recovery exercise for IES to identify gaps for the improvement of the documented emergency procedures. DHS will continue to work with DoIT to determine the requirements for obtaining resources to

REVIEW # 4524: FY20 Financial Audit – DHS

provide for the full recovery of IES. Additionally, DHS is currently working with DoIT to complete the IES IT modernization Technical Refresh project, which includes a full build at the Alternate Data Center to facilitate IES disaster recovery capabilities and testing.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation. HFS will work with DHS and DoIT to complete the Information System Contingency Plan and conduct a tabletop disaster recovery exercise for IES to identify gaps for the improvement of the documented emergency procedures. In addition, the Departments will work together to determine the requirements for obtaining resources to provide for the full recovery of IES. The Departments are currently working to complete the IES IT modernization Technical Refresh project, which includes a full build at the Alternate Data Center to facilitate IES disaster recovery capabilities and testing.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

1. Continue working with DoIT to complete an IES Information System Contingency Plan and conduct a tabletop DR exercise in order to update documented emergency procedures with the results (Began 4/20/20). However, effective/accurate recovery scripts will not be possible until the IES DR infrastructure build is complete in Phase 7 of IES Tech Refresh.
2. Continue working with DoIT to determine requirements for obtaining needed resources in order to do a full recovery of IES.
3. Continue working with DoIT to complete the IES IT modernization Technical Refresh project, including a full build at the Alternate Data Center to facilitate IES disaster recovery capabilities and testing.

(Estimated Date of Completion: 4/30/2022)

- 10. The auditors recommend management of the Departments either expand its existing agreement or execute a new detailed agreement with DoIT, and expand on the existing agreement between the Departments to ensure IES roles and responsibilities, required to be performed by each party, are formally documented.**

FINDING: *(Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES)*

The Departments' IES application and data resides on DoIT's environment. In addition, DoIT's staff is responsible for coordinating and making changes to the IES application and data. Furthermore, DoIT's staff assists the Departments with user access security.

REVIEW # 4524: FY20 Financial Audit – DHS

However, during testing auditors noted the Departments had not entered into an IGA with DoIT documenting roles and responsibilities for each function they perform on the Departments' behalf.

DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery). During the audit, auditors noted the Departments did not have a sufficient IGA to define the specific IES roles and responsibilities for each agency.

The Departments' management indicated they have been working together, along with DoIT, since the last audit was released to determine necessary updates to the current IGA which has not yet been finalized due to staff's competing priorities with other job assignments.

Department of Human Services' Response:

DHS accepts the recommendation. DHS will work with HFS and DoIT to implement an Intergovernmental Agreement (IGA) in regards to the IES roles and responsibilities.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation and is working to execute adequate agreements.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

1. Create draft of IGA. Circulate to HFS and DoIT.
2. Review and incorporate any updates from HFS and DoIT.
3. Submit final IGA for approval at executive level of all 3 agencies (DHS, HFS, DoIT).
4. Finalize IGA.

(Estimated Date of Completion: 4/1/2022)

11. **The auditors recommend DHS management work with HFS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, they recommend DHS work with HFS to execute a detailed interagency agreement which documents specific roles and responsibilities as they relate to IMPACT. Lastly, they recommend DHS implement internal controls to ensure notifications regarding issues with its programs' providers are being received from HFS and addressed expeditiously.**

REVIEW # 4524: FY20 Financial Audit – DHS

FINDING: *(Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreement)*

DHS failed to execute an IGA with HFS establishing adequate internal controls over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT), and failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.

In July 2015, HFS implemented IMPACT's Provider Enrollment module, which was designed by HFS to be the State of Illinois' official book of record for the enrollment of providers offering services for and on behalf of State of Illinois Medicaid recipients.

DHS provides Medicaid services which utilize IMPACT for enrollment of their providers. DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery) services.

Interagency Agreements

DHS management indicated although an interagency agreement had been drafted, it had not yet been finalized.

Detail Sample Testing of DHS Providers

During testing, the auditors determined DHS did not utilize IMPACT as the official book of record or rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services to Medicaid recipients. Specifically, in FY20, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. The provider or DHS' third party-service provider related to its personal support workers enter their information into IMPACT. Upon completion of procedures to determine the providers were eligible, DHS approves (certifies) the provider's file in IMPACT in order to grant approval for payment.

DHS management stated it did not use IMPACT as the official book of record for its providers because each program is unique with various requirements in addition to Medicaid requirements, which needed to be verified prior to the provider being deemed eligible.

In order to determine if DHS provider applications were approved in accordance with DHS program specific federal and state laws/rules/regulations, the auditors requested DHS to provide them with a population of its approved providers, identified in IMPACT as DHS providers as of June 30, 2020. From the population provided by DHS, the auditors selected a sample of 60 approved applications for detailed testing. During the detailed testing of the 60 provider files, the auditors noted two (3%) providers did not have an

REVIEW # 4524: FY20 Financial Audit – DHS

executed Waiver Program Provider Agreement. The two providers were part of the Department of Rehabilitation Services (DRS) Home Services Program (HSP).

DHS' DRS provides each HSP customer and individual provider a packet for HSP customer employment. In the packet instructions, it notes new applicants, inactive providers and providers that have not worked within the last 11 months are required to complete, sign and submit various documents to the local DRS office, including Form IL488-2262 – Waiver Program Provider Agreement.

DHS management indicated the two exceptions for missing Waiver Program Provider Agreements were due to human error.

Further, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During the detailed testing of the 60 provider files, the auditors determined DHS personnel did not consistently follow up on discrepancies identified in IMPACT during the monthly screenings.

DHS management stated inconsistencies in following-up on discrepancies identified upon IMPACT completing verification of information, background checks, and professional licensing was due to human error, need for training, and needed improvements in communication amongst DHS personnel and HFS personnel.

Department of Human Services' Response:

DHS accepts the recommendation. DHS will work with HFS to ensure provider applications and documentation are thoroughly reviewed at the initial enrollment and at revalidations. An interagency agreement was drafted on April 1, 2020 and is in the process of being finalized. DHS will also implement dedicated inboxes to ensure that provider issues received from HFS are expeditiously addressed.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation. HFS will work with DHS to ensure provider applications and documentation are thoroughly reviewed at the initial enrollment and at revalidations.

UPDATED RESPONSE: Implemented.

Corrective Action Implemented:

1. DDD updated an IMPACT Screening Standard Operating Procedure to ensure that DDD Provider Enrollment Specialists document the review of the IMPACT screening results, DD waiver enrollment requirements, and the resources used to address any discrepancies. Standard operating procedures will be updated as needed to address changes in the enrollment process or to correct any errors that are noted.

REVIEW # 4524: FY20 Financial Audit – DHS

2. The DDD dedicated inbox for communications with HFS will be the lead Provider Enrollment Specialist's email address. HFS will be notified if there is a change in the designated email inbox.
3. DRS revised operating procedures to require comments on every enrollment, including notation of review of licenses, certificates, documents or required databases to determine enrollment eligibility. Procedures are updated as novel issues are confronted or as additional guidance is received.

Corrective Action in Progress:

Discussions about the Interagency agreement began in 2019 to address potential audit findings with IMPACT. In May 2021, DHS-DDD and DHS-DRS held a meeting to discuss the IGA due to HFS drafting an IGA that would be shared with both Divisions. Meetings were held in June with HFS Provider Enrollment Services, HFS Office of Inspector General, DHS-DDD and DHS-DRS to review the draft language as a group instead of relying on email communications. On 6/24/2021, all parties settled on the language and the DHS Secretary signed the Agreement on July 20, 2021. It is currently with HFS awaiting the HFS Director's signature.

(Estimated Date of Completion: 9/30/2021)

12. **The auditors recommend the Departments work with the service provider to obtain assurance the internal controls over IMPACT, data, and the infrastructure, including change control and user access, are adequate.**

FINDING: *(Inadequate General Information Technology Controls over IMPACT) (Illinois' Illinois Medicaid Program Advanced Cloud Technology system)*

In calendar year 2012, HFS and the State of Michigan's Department of Community Health entered into an intergovernmental agreement (IGA) for the State of Illinois (Illinois) to utilize Michigan's existing Medicaid Management Information System (MMIS) and its related infrastructure with the goal of replacing the State's MMIS to accommodate the processing of the State's Medicaid provider enrollment determinations and all Medicaid claim payments to such providers. Since 2012, the Illinois has implemented two phases of IMPACT: Electronic Health Record Medicaid Incentive Payment Program (eMIPP) and Provider Enrollment (PE).

An IGA was entered into in 2015 which formally established the Illinois-Michigan Program Alliance for Core Technology. Additionally, the parties agreed to pursue expansion of the Michigan MMIS environment to accommodate the processing of Illinois' Medicaid claims. The IGA required Michigan to extend its current system to utilize cloud architecture that would result in converged infrastructure, maximizing the effectiveness of shared resources, and allowing the shared services to be offered to HFS.

REVIEW # 4524: FY20 Financial Audit – DHS

As a result of the Departments not having access to or control over IMPACT and its infrastructure, auditors requested HFS provide a System and Organization Control (SOC) report which would provide the State and auditors information on the design and effectiveness of internal controls over IMPACT. In response, HFS provided a Security Assessment Report (Report), however, this report did not evaluate the design and implementation of Michigan's internal controls.

Specifically, the Report did not document:

- Timeframe/period in which the Security Assessment Report covers,
- Independent service auditor's report,
- Details of the testing conducted, and
- Details of Michigan's internal controls as they relate to:
 - o Control environment,
 - o Risk assessment processes,
 - o Information and communication,
 - o Control activities, and
 - o Monitoring activities.

As a result, auditors were unable to perform adequate procedures to satisfy ourselves that certain general IT controls (change management and user access controls (administrators and programmers)) to IMPACT were operating effectively during the audit period.

Change Management

As a result of the Departments' failure to obtain a SOC report, as noted above, or conduct their own timely, independent internal control review over changes to IMPACT, data, or the infrastructure, auditors were unable to determine if changes made during the audit period were proper and approved.

Departments' management stated they believe the Security Assessment Report adequately assessed the internal controls over IMPACT, data and the infrastructure.

User Access Control

HFS implemented a formalized review process for IMPACT Provider Enrollment Access and Employee Status Report Review during the year ended June 30, 2020. The Departments performed and documented the annual IMPACT Provider Enrollment Access Review in accordance with their formalized process. However, HFS did not timely perform the formalized Employee Status Report Review. Furthermore, the IMPACT Provider Enrollment Access Review did not include a requirement for DHS and DCFS to conduct periodic user access reviews.

During testing, auditors obtained a population of all Departments' staff who had access to IMPACT, noting five of five (100%) terminated State staff continued to have access. The access rights were terminated 204 to 250 days after termination of employment.

REVIEW # 4524: FY20 Financial Audit – DHS

According to Department management, IMPACT automatically locks accounts after 60 days of non-use. While we do not disagree, the accounts lock after 60 days of inactivity, during the 60 days individuals continue to have access. Further, the 60 day automatic lock is only for non-use. If the individual continues to utilize their account, it remains active.

Further, HFS' management stated the late removal of terminated employees' access to IMPACT was due to a lack of communication between supervisors and the security staff and the Employee Status Report was not always received by the security staff in a timely fashion.

Without having obtained and reviewed a SOC report, the Departments do not have assurance the service provider's internal controls over IMPACT, data and the infrastructure are adequate to protect from unauthorized changes and accidental and intentional destruction or alteration. Furthermore, the untimely termination of access rights and periodic review of access leave the Departments exposed to risk of unauthorized access.

Department of Human Services' Response:

DHS accepts the recommendation. DHS will work with HFS and the service provider to ensure controls over IMPACT data, and the infrastructure are adequate.

Department of Healthcare and Family Services' Response:

HFS accepts the recommendation.

Department of Children and Family Services' (DCFS) Response:

DCFS's role in the IMPACT system is limited to one system user who has very limited access to the system in order to assist providers who work with DCFS youth in care with their enrollment into IMPACT and to identify that the provider has an association with DCFS within the system. DCFS will work with HFS and DHS to implement any controls that are established to maintain adequate general information technology controls over the operation of the IMPACT system.

UPDATED RESPONSE: Implemented.

Corrective Action in Progress:

HFS has a contract with the IMPACT service provider and is responsible for ensuring controls over IMPACT, data, and the infrastructure are adequate. HFS, DHS-DRS and DHS-DDD accepted draft language in the IMPACT IGA that established this as a role and responsibility of HFS Provider Enrollment Services. The DHS Secretary signed the IGA on 7/20/21. DHS forwarded the IGA for HFS to obtain the signature of HFS Director.

(Estimated Date of Completion: 9/30/2021)

REVIEW # 4524: FY20 Financial Audit – DHS

13. The auditors recommend the Department work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the DHS may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

FINDING: *(Lack of Census Data Reconciliation)*

DHS did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, auditors noted the following:

- 1) DHS had not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate census data.
- 2) After establishing a base year, DHS had not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to DHS' internal supporting records.

DHS management indicated DHS was not aware of the need to perform the annual reconciliations.

Response:

DHS accepts the recommendation. DHS will work with the CMS and SERS to develop an ongoing reconciliation process. In addition, DHS will generate discrepancy reports to be analyzed by IDHS Payroll Staff and a plan to correct such discrepancies will be developed by partnering with SERS and CMS staff.

UPDATED RESPONSE: Partially Implemented.

Corrective Action in Progress:

DHS will incorporate an agreed upon file for Census Data from SERS and Central Management System State Employee Group Insurance Plan (SEGIP).

DHS HR personnel will implement a program edit identifying when Census Data is being changed within the Payroll system. The log table created will identify information prior to

REVIEW # 4524: FY20 Financial Audit – DHS

the change as well and the date for the change. Other pertinent data will be captured and memorialized at this point in the process.

7/27/21 Update: DHS Payroll has received a preliminary layout and instructions from SERS and a file will be sent in the near future with June 30, 2021 data which will be compared to the DHS system. From that comparison attempts will be made to isolate and identify discrepancies between the two systems.

(Estimated Date of Completion: 12/31/2022)

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

DHS filed 13 affidavits for emergency purchases in FY16 totaling \$3,918,489.69 as follows:

- \$2,766,231.18 for repairs and equipment at the various Centers;
- \$818,195.00 for development of instruction in policies for Case Management programs;

REVIEW # 4524: FY20 Financial Audit – DHS

- \$116,285.50 for GAAP assistance services;
- \$88,093.68 to continue onsite food services at Treatment and Detention Facility;
- \$74,750.00 for Federally required compliance monitoring of Federal monies; and
- \$54,934.33 for laundry services.

During FY17 DHS filed seven affidavits for emergency purchases totaling \$2,400,505.16 as follows:

- \$2,290,505.16 for repairs or equipment replacement at the various centers; and
- \$110,000.00 to purchase licenses for software to maintain digital historical records.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2020, the Department had 214 employees assigned to locations other than official headquarters.