



**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE  
AND FAMILY SERVICES**

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STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2023

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



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**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**AGENCY OFFICIALS**

Director (Acting) (1/1/24 – Present)	Elizabeth M. Whitehorn
Director (7/1/21 – 12/31/23)	Theresa Eagleson
Assistant Director	Jenny Aguirre
Chief of Staff (1/1/24 – Present)	Dana Kelly
Chief of Staff (7/1/21 – 5/16/24)	Ben Winick
Chief Operating Officer (5/16/24 – Present)	Vacant
Chief Operating Officer (7/1/21 – 5/15/24)	Ben Winick
Chief Internal Auditor	Jamie Nardulli
General Counsel (3/1/24 – Present)	Kathleen Hill
General Counsel (7/1/21 – 3/31/24)	Steffanie Garrett
Inspector General (Acting)	Brian Dunn

**DEPUTY DIRECTORS**

Community Outreach (6/16/23 – Present)	Vacant
Community Outreach (7/1/21 – 6/15/23)	Kimberly McCullough-Starks
Administrative Operations (11/16/21 – Present)	Tanya Ford
Administrative Operations (7/1/21 – 11/15/21)	Vacant
Human Resources	Terri Shawgo
New Initiatives (5/16/24 – Present)	Laura Phelan
New Initiatives (7/1/21 – 5/15/24)	Vacant

**STATE OF ILLINOIS  
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**DIVISION ADMINSTRATORS**

Child Support Services	Bryan Tribble
Finance	Michael Casey
Medical Eligibility (12/10/23 – Present)	Tracy Keen
Medical Eligibility (Interim) (1/16/22 – 12/9/23)	Tracy Keen
Medical Eligibility (7/1/21 – 1/15/22)	Jane Longo
Medical Programs	Kelly Cunningham
Personnel & Administrative Services (Interim)	Ruth Ann Day

**AGENCY OFFICES**

The Department's primary administrative offices are located at:

201 South Grand Avenue East  
Springfield, Illinois 62763

401 South Clinton  
Chicago, Illinois 62607



201 South Grand Avenue East  
Springfield, Illinois 62763-0002

**Telephone:** (217) 782-1200  
**TTY:** (800) 526-5812

**MANAGEMENT ASSERTION LETTER**

August 19, 2024

Sikich CPA LLC  
132 South Water Street, Suite 300  
Decatur, IL 62523

Dear Sikich:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Healthcare and Family Services (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Healthcare and Family Services

**SIGNED ORIGINAL ON FILE**

Elizabeth M. Whitehorn, Director

**SIGNED ORIGINAL ON FILE**

Michael P. Casey, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

Kathleen Hill, Legal Officer

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**STATE COMPLIANCE REPORT**

**SUMMARY**

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

**ACCOUNTANT’S REPORT**

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Reports</u></b>
Findings	24	27
Repeated Findings	16*	15
Prior Recommendations Implemented or Not Repeated	13	8

\* Prior year findings 2021-001 and 2021-002 were repeated, however, they were combined into 2022-001 in the fiscal year 2022 Financial Report and 2023-001 in the current year Compliance Report.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2023-001	15	2022/2017	Inadequate general information technology controls over IES	Material Weakness and Material Noncompliance
2023-002	18	2022/2019	Inadequate disaster recovery controls over the Integrated Eligibility System (IES)	Material Weakness and Material Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2023-003	21	New	Inadequate controls over eligibility determinations and redeterminations	Material Weakness and Material Noncompliance
2023-004	23	2022/2018	Inadequate general information technology controls over IMPACT	Material Weakness and Material Noncompliance
2023-005	25	2022/2018	Insufficient review and documentation of provider enrollment determinations	Material Weakness and Material Noncompliance
2023-006	27	2022/2022	Financial statement preparation weaknesses	Material Weakness and Material Noncompliance
2023-007	30	New	Failure to properly identify capital assets in accordance with reporting standards	Significant Deficiency and Noncompliance
2023-008	32	2021/2005	Inadequate controls over personal services	Material Weakness and Material Noncompliance
2023-009	35	New	Inadequate controls over accounts receivables	Material Weakness and Material Noncompliance
2023-010	38	2022/2015	Weaknesses in review of external service providers	Significant Deficiency and Noncompliance
2023-011	41	2021/2015	Inadequate controls over the University of Illinois Hospital Services Fund	Significant Deficiency and Noncompliance
2023-012	42	2021/2019	Inadequate controls over Managed Care Organization reporting	Significant Deficiency and Noncompliance
2023-013	45	2021/2019	Lack of agreement to ensure compliance with information technology security requirements	Significant Deficiency and Noncompliance
2023-014	47	2021/2019	Lack of disaster recovery testing	Significant Deficiency and Noncompliance



<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2023-015	49	2021/2021	Weaknesses in cybersecurity programs and practices	Significant Deficiency and Noncompliance
2023-016	51	2021/2021	Failure to establish the Long-Term Services and Supports Workgroup	Significant Deficiency and Noncompliance
2023-017	53	2021/2021	Inadequate internal controls over required reporting	Significant Deficiency and Noncompliance
2023-018	55	2021/2017	Voucher processing weakness	Significant Deficiency and Noncompliance
2023-019	58	2021/2017	Inadequate controls over State vehicles	Significant Deficiency and Noncompliance
2023-020	60	New	Noncompliance with the requirements of the Illinois Insurance Code	Significant Deficiency and Noncompliance
2023-021	61	New	Insufficient controls over Managed Care Organization contracts	Significant Deficiency and Noncompliance
2023-022	63	New	Lack of adequate internal controls over hospital access payments	Significant Deficiency and Noncompliance
2023-023	64	New	Noncompliance with the Children and Family Services Act	Significant Deficiency and Noncompliance
2023-024	66	New	Inadequate controls over preparing and submitting Agency Workforce Reports	Significant Deficiency and Noncompliance

**Prior Findings Not Repeated**

A	68	2021/2017	Insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data	
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<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Prior Findings Not Repeated</b>				
B	68	2021/2020	Inadequate access review procedures for the Integrated Eligibility System (IES)	
C	68	2022/2019	Detailed agreement between the Department of Human Services, the Department of Healthcare and Family Services and the Department of Innovation and Technology over IES not finalized	
D	69	2021/2020	Inadequate internal controls over census data	
E	69	2021/2021	Noncompliance with the Illinois Health Information Exchange and Technology Act	
F	69	2021/2019	Excess cash in the Health Information Exchange Fund	
G	70	2021/2017	Failure to maintain a voter information data transfer mechanism	
H	70	2021/2017	Failure to establish rate methodology and file required reports for the mammography program	
I	70	2021/2021	Failure to perform parity compliance audits of Managed Care Organizations	
J	70	2021/2021	Failure to post hospital provider annual assessment adjustment details	

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Prior Findings Not Repeated</b>				
K	71	2021/2021	Failure to adopt administrative rules regarding care coordination	
L	71	2021/2021	Failure to post pregnancy and childbirth rights to the Department's website	
M	71	2021/2021	Failure to obtain and review Monthly Security Status Reports	

### **EXIT CONFERENCE**

The Department waived an exit conference relating to Findings 2023-004 through 2023-007 in correspondence from Amy Lyons, External Audit Liaison, on July 16, 2024. The Department waived an exit conference relating to Findings 2023-008 through 2023-024 in correspondence from Jamie Nardulli, Chief Internal Auditor, on July 25, 2024. The findings and recommendations appearing in this report as Findings 2023-001 through 2023-003 were discussed with personnel from the Department at an exit conference on August 12, 2024.

Attending were:

#### Department of Healthcare and Family Services

Dana Kelly, Chief of Staff  
 Jamie Nardulli, Chief Internal Auditor  
 Phronsie Spaulding, Audit Liaison for IES Eligibility Area

#### Department of Human Services

Amy Macklin, Chief Internal Auditor  
 Ryan Thomas, Assistant Secretary of Operations  
 Christopher Finley, Audit Liaison  
 Matt Sporlein, Internal Auditor  
 Katelyn Nassin, Deputy General Counsel  
 Priya Khatkhate, Senior Policy Officer  
 Katie Fromme, Social Services Program Planner  
 Kim Ledesma, Acting Bureau Chief, FCS Bureau of Performance Management  
 Elizabeth Lusk, Social Services Program Planner  
 Jamie McCoy, Associate Director of Office of Integrated Eligibility Support

#### Office of the Auditor General

Sara Metzger, Assistant Director, Financial/Compliance Division  
 Courtney Dzierwa, Statewide Single Audit Manager  
 Megan Green, Senior Audit Manager  
 Kenny Matthews, Audit Manager

Sikich CPA LLC

Meredith Angel, Director

Andrea Whitacre, Senior Accountant

The responses to Findings 2023-001 through 2023-003 were provided by Elizabeth Whitehorn, Director, in correspondence dated August 14, 2024. The responses to Findings 2023-004 through 2023-007 were provided by Elizabeth Whitehorn, Director, in correspondence dated July 23, 2024. The responses to Findings 2023-008 to 2023-024 were provided by Elizabeth Whitehorn, Director, in correspondence dated July 31, 2024.

The Department of Human Services' responses to Findings 2023-001 through 2023-003 were provided by Christopher Finley, Internal Audit Liaison, in correspondence dated August 13, 2024. The Department of Human Services' responses to Findings 2023-004 and 2023-005 were provided by Christopher Finley, Internal Audit Liaison, in correspondence dated July 24, 2024.

132 South Water St., Suite 300  
Decatur, IL 62523  
217.423.6000

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**INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE  
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Healthcare and Family Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2023. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department’s compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001 through 2023-006 and 2023-008, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Furthermore, as described in the accompanying Schedule of Findings as item 2023-009, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-007 and 2023-010 through 2023-024.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The State of Illinois, Department of Human Services' responses to the compliance findings 2023-001 through 2023-005 are described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

## Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 through 2023-006, 2023-008, and 2023-009 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-007 and 2023-010 through 2023-024 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The State of Illinois, Department of Human Services' responses to the compliance findings 2023-001 through 2023-005 are described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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

**SIGNED ORIGINAL ON FILE**

Decatur, Illinois  
August 19, 2024



**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Inadequate general information technology controls over IES)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) had weaknesses in the general information technology (IT) and security controls over the Integrated Eligibility System (IES).

Management of the Departments has a 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 to intake, process (with the assistance of caseworkers), and approve assistance applications, maintenance items, Mid-Point Reports, and redeterminations of eligibility as well as to make payments for the State’s human service programs.

In addition to the conditions noted below, related IES issues over disaster recovery controls are noted in Finding Code No. 2023-002.

*Environment*

The IES application and data reside on the Department of Innovation and Technology (DoIT) environment. In this regard, DoIT is a service provider to the Departments.

During the Departments’ internal security review, completed as part of its Plan of Actions and Milestones (2023) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), significant threats over DoIT’s general IT environment, which hosts IES, were identified.

Further, during our fieldwork it was noted the Departments experienced three security breaches related to the IES system; the first breach occurred in August 2022, the second breach was discovered in March 2023, and the third breach occurred in August 2023.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) system projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing the security of federal ADP systems and information processing.

Federal CMS’ *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states that protecting and ensuring the confidentiality, integrity, and availability of state Marketplace information, common enrollment information, and associated information is the responsibility of the states.

The internal control requirements of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) within the Code (2 C.F.R. § 200.303) requires the Departments to establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the

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terms and conditions and comply with federal statutes, regulations and terms and conditions of the Medicaid Program.

These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Departments' management indicated multi-year IES technology refresh projects are still in progress. The Departments continue working through project delays and challenges to resolve security weaknesses and close out aged Plan of Action and Milestone findings.

The Departments' failure to maintain adequate internal controls over the security of the IES application led to three security breaches and increases the risk IES may be exposed to further malicious attacks, security breaches, and unauthorized access to recipients' personal information.

*Change Control*

IES Application Changes - Policies and Procedures

Based on our review of sampled infrastructure changes, we noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes for 5 out of 5 (100%) changes reviewed.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Fifth Revision, *Security and Privacy Controls for Information Systems and Organizations*, Configuration Management section, backout plans should be retained to support rollback of changes made to systems.

Additionally, DoIT's Change Management Policy requires that each change have a backout plan documented.

The Departments' management indicated the Departments have made improvements to the current change management process and are working with DoIT to provide additional infrastructure change required documentation.

Findings over the IES Environment and Change Control were first noted during the Departments' financial audits of the year ended June 30, 2017. In subsequent years, the Departments have been unsuccessful in fully implementing corrective action plans.

Failure to establish and document backout plans for changes to IES infrastructure diminishes the Departments' ability to recover the application if an error were to occur during the change process. (Finding Code No. 2023-001, 2022-001, 2021-001, 2021-002, 2020-003, 2020-004, 2019-004, 2018-007, 2017-009)

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**RECOMMENDATION**

We recommend management of both Departments work together to strengthen controls over the IES environment by addressing all significant threats identified in the Plan of Actions and Milestones (2023) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

We also recommend management of both Departments ensure backout plans are developed and documented for infrastructure changes.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE**

The Department of Healthcare and Family Services accepts the recommendation. The IES application and data reside on the Department of Innovation and Technology (DoIT) infrastructure and as our service provider they are responsible for ensuring a secure environment, significant threats are identified and backout plans for changes are developed. The Departments will work with DoIT to implement the IES technology refresh projects as planned in FY25 to resolve security weaknesses and close out aged Plan of Action and Milestone findings. The Departments will also require DoIT provide documented backout plans with all IES infrastructure changes.

**DEPARTMENT OF HUMAN SERVICES' RESPONSE**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Departments will work to implement the IES technology refresh projects, as planned in FY25, to resolve security weaknesses and close out aged Plan of Action and Milestone findings. The Department will also work with the Department of Innovation and Technology on documented backout plans with all IES infrastructure changes.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Inadequate disaster recovery controls over the Integrated Eligibility System (IES))

The Department of Human Services and the Department of Healthcare and Family Services (collectively, the “Departments”) lacked adequate disaster recovery controls over the Integrated Eligibility System (IES).

Management of the Departments have a 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 to intake, process (with the assistance of caseworkers), and approve assistance applications, maintenance items, Mid-Point Reports, and redeterminations of eligibility as well as to make payments for the State’s human service programs. Additionally, the Departments work with the Department of Innovation and Technology (DoIT) for information technology management and support over IES.

The Departments’ Disaster Recovery Plan for its IES application did not include the following:

- Detailed recovery scripts over the application and its data,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Documentation on the backup and responsibilities for recovery of IES, and
- Documentation of the current environment.

Additionally, we noted the Departments did not conduct recovery testing of critical systems and components in fiscal year 2023.

This finding was first noted during the Departments’ financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(2)(ii)(F), *ADP System Security Requirements and Review Process*, requires the Departments’ automated data processing (ADP) security plan, policies and procedures to include contingency plans to meet critical processing needs in the event of short or long-term interruption of service.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Contingency Planning section requires entities to develop contingency plans for systems to achieve continuity of operations for organizational missions and business functions along with addressing system restoration and implementation of alternative missions or business processes when systems are compromised or breached.

The *Control Objectives for Information and Related Technologies* published by Information Systems Audit and Control Association (ISACA), Managed I&T-Related Risk Area,

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promotes controls for analyzing risks and maintaining a risk profile of risks and their potential impact and responses.

The Departments' management indicated the delayed completion of the Information System Contingency Plan (ISCP) for the IES application was due to the time required for IES technical teams to formulate and vet a complete, detailed failover playbook that would meet the Department's expectations for recovery time objectives.

The lack of an adequate Disaster Recovery Plan and testing could result in the Departments' inability to recover IES data in the event of disaster, which would be detrimental to recipients of benefits, and the Departments' and State's operations. (Finding Code No. 2023-002, 2022-002, 2021-003, 2020-005, 2019-005)

**RECOMMENDATION**

We recommend the Departments work with DoIT to allocate sufficient resources to enable a full recovery of IES in the event of a disaster and implement adequate disaster recovery controls over IES. Additionally, in the interim, we 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.

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

- Detailed recovery scripts over the application and its data,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Documentation on the backup and responsibilities for recovery of IES, and
- Documentation of the current environment.

Finally, we recommend the Departments perform disaster recovery testing on a regular basis as defined in the plan.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE**

The Department of Healthcare and Family Services accepts the recommendation. The IES application and data reside on the Department of Innovation and Technology (DoIT) infrastructure and as our service provider they are responsible for ensuring disaster recovery controls are in place and tested. The Department of Human Services has worked with IES application stakeholders to complete the Information System Contingency Plan in FY24. The plan documents the recovery control requirements noted. A comprehensive tabletop test exercise of the IES contingency plan and playbook was completed on December 1, 2023. The Departments will work with DoIT to test and update the IES contingency plan annually.

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**DEPARTMENT OF HUMAN SERVICES’ RESPONSE**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department has worked with IES application stakeholders, including DoIT, to complete the Information System Contingency Plan in FY24. The plan documents the recovery control requirements of the finding. A comprehensive tabletop test exercise of the IES contingency plan and playbook was completed on December 1, 2023. The Department will work toward testing and updating the IES contingency plan annually.

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2023-003. **FINDING** (Inadequate controls over eligibility determinations and redeterminations)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).

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 to intake, process (with the assistance of caseworkers), and approve assistance applications, maintenance items, Mid-Point Reports and redeterminations of eligibility as well as to make payments for the State’s human service programs.

In order to conclude if the determination of eligibility was proper, we 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. Our testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 12 of the 60 cases tested (20%), we noted exceptions. Specifically, we noted:

- One new application for SNAP benefits (3%) tested did not have the certification completed timely. Certification was 12 days late.
- One new application for medical benefits (3%) tested did not have the certification completed timely. Certification was 162 days late.
- One new application for medical benefits (3%) tested did not have citizenship verified.
- One redetermination for SNAP benefits (3%) did not have the required documentation maintained.
- Five redeterminations for SNAP benefits (17%) tested did not have the certification completed timely. Certifications were 35 to 101 days late.
- Two redeterminations for SNAP benefits (7%) used the net pay instead of the gross pay for the benefit calculation with no impact to the benefit provided.
- One redetermination for SNAP benefits (3%) had unearned income incorrectly calculated.

The Code of Federal Regulations (Code) (42 C.F.R. § 435.403), *Eligibility in the States, District of Columbia, the Northern Mariana Islands, and American Samoa*, requires recipients of Medicaid to provide documentary evidence of their citizenship, residency, SSNs, and income. Further, the Code (42 C.F.R. § 431.17), *Maintenance of Records*, requires the Departments to maintain records of each applicant and beneficiary, including records which support the determination of eligibility.

The Code (7 C.F.R. § 273.10), *Determining Household Eligibility and Benefit Levels*, requires the household’s eligibility be determined for the month of application by considering the household’s circumstances for the entire calendar month in which the household filed its application. Eligibility for recertification shall be determined based on

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circumstances anticipated for the certification period starting the month following the expiration of the current certification period.

The Code (7 C.F.R. § 274.1 and §274.2), *Issuance System Approval Standards and Providing Benefits to Participants*, indicates DHS is responsible for the timely and accurate issuance of SNAP benefits to certified eligible households, and that all newly certified households (except those given expedited service) shall be given the opportunity to participate no later than 30 calendar days following the date the application was filed.

The 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.

Inadequate controls over eligibility determinations resulted in determinations of eligibility that were not demonstrated or documented prior to recipient certification, and the State expending Federal and State funds for recipients that may not have been eligible to receive benefits. Noncompliance with federal laws and regulations could lead to sanctions and/or loss of future Federal funding, disallowance of costs, and the requirement to return Federal funds previously received. (Finding Code No. 2023-003)

**RECOMMENDATION**

We recommend management of both Departments work together to implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, and to complete certifications of applications and redeterminations timely.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE**

The Department of Healthcare and Family Services accepts the recommendation. The two cases related to medical were due to caseworker error. The Department has an ongoing monitoring program of caseworkers. The Bureau of Eligibility Integrity is working on a refresher training that is focused on errors caseworkers make.

**DEPARTMENT OF HUMAN SERVICES' RESPONSE**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS, in conjunction with HFS and our IES Vendor, is in the process of implementing additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, and that certifications are made timely.



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2023-004. **FINDING** (Inadequate general information technology controls over IMPACT)

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) had inadequate general information technology controls over the State of Illinois’ Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system.

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’ IMPACT system is a multi-agency effort to implement a web-based system to give providers a more convenient and consistent user experience and to ensure beneficiaries receive timely and high-quality Medicaid Services. IMPACT is an automated system used by the Departments to accommodate provider enrollment approvals and all Medicaid claim payments to such providers.

The Departments did not have adequate user access controls for the IMPACT system. During testing auditors noted:

- Four of 17 (24%) terminated users from HFS had not been deleted from the system. As of June 30, 2023, the deletion of users was 15 to 336 days late.
- One of 17 (6%) terminated users from HFS did not have access timely deleted. The user was deleted from the system 148 days after the user’s termination date.
- One of one (100%) terminated users from DHS had not been deleted from the system. As of June 30, 2023, the deletion of the user was 346 days late.
- One of seven (14%) active users from DHS no longer required the use of IMPACT and did not have access timely deleted. As of June 30, 2023, the deletion of the user was 45 days late.

Although an automated process prevents access after 60 days from the user’s last login to the program, the users noted in the exceptions were not deleted. The automated process is for non-use only, after 60 days. However, if the individuals were to continue to utilize their accounts they would remain active until deleted.

This finding was first noted during the Departments’ fiscal year 2018 financial audit, five years ago. As such, the Departments’ management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, (Fifth Revision)) published by the National Institute of Standards and Technology (NIST), Access Control section, requires entities to develop and comply with control over the timely termination of access rights and the periodic review of access rights.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability of the State’s resources.

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Finally, the Departments' management teams are responsible for implementing timely corrective action on all of the findings identified during a financial audit.

HFS management stated user access was not timely terminated due to limitations in communication between the departments. DHS management stated user access was not timely terminated due to changes in staffing levels that led to difficulties in executing the offboarding process.

Inadequate internal controls over user access could result in unauthorized use and/or inappropriate access to the IMPACT system, which could go undetected by the Departments for an extended period of time and could lead to confidential information being compromised. (Finding Code No. 2023-004, 2022-003, 2021-005, 2020-007, 2019-010, 2018-002)

**RECOMMENDATION**

We recommend the Departments strengthen their internal controls over the timely removal of access to the IMPACT system for terminated employees or employees no longer requiring access.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Division of Personnel has implemented an exit process for employees leaving the Department. Part of this process is to ensure system access is communicated and removed promptly.

**DEPARTMENT OF HUMAN SERVICES' RESPONSE**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review the onboarding and offboarding procedures. Administration will create a process to review User access. Monthly reminders will be sent to all managers reminding them of the requirements for terminating user access upon separation or transfer of employees.

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2023-005. **FINDING** (Insufficient review and documentation of provider enrollment determinations)

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) failed to sufficiently review and document provider enrollment requirements during the required monthly screenings for enrolled providers.

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 Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system is a multi-agency effort to implement a web-based system to give providers a more convenient and consistent user experience and to ensure beneficiaries receive timely and high-quality Medicaid Services. IMPACT is an automated system used by the Departments to accommodate provider enrollment approvals and all Medicaid claim payments to such providers.

During fiscal year 2023, the IMPACT system had 304,070 active providers. Monthly batch screenings are utilized by the Departments to support providers continued to meet the enrollment criteria. In order to determine the Departments monitored the monthly batch screenings, we selected a sample of 60 providers for testing. Our testing results noted HFS was unable to provide support for one or more monthly batch screenings performed for 22 (37%) providers tested.

Finally, this finding was first noted during the Departments’ fiscal year 2018 financial audit, five years ago. While the Departments did successfully execute an interagency agreement as recommended in prior engagements, the Departments’ management has been unsuccessful in implementing a corrective action plan to remedy the provider enrollment deficiency.

The Code of Federal Regulations (Code) (42 C.F.R. § 455.436 (c)(1)) requires the Departments to consult appropriate databases to confirm identity upon enrollment and reenrollment. In addition, the Code (42 C.F.R § 455.450 (a)(3)) requires the Departments to conduct database checks on a pre-and post-enrollment basis to ensure providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

The Code (2 C.F.R § 200.303), *Internal Controls*, requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Additionally, the Code (42 C.F.R. § 431.17) requires the Departments to maintain records necessary for the proper and efficient operations of the State’s Medicaid Plan.

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Finally, the Departments' management teams are responsible for implementing timely corrective action on all of the findings identified during a financial audit.

The Departments' management indicated issues with provider monthly batch screenings was due to a system error which was corrected in June 2023.

Inadequate controls over the operation of IMPACT, such as insufficient review and monitoring of monthly batch screenings, could result in expenditures to providers who are no longer eligible and represents noncompliance with the Code. (Finding Code No. 2023-005, 2022-004, 2021-006, 2020-008, 2019-010, 2018-002)

**RECOMMENDATION**

We recommend the Departments strengthen internal controls to ensure providers continue to meet criteria in accordance with the Code.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. A system error caused issues with the provider month batch screenings and was corrected as part of the IL-1.6 System Release in June 2023. Screenings have been occurring on a regular basis since then.

**DEPARTMENT OF HUMAN SERVICES' RESPONSE**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with HFS and the service provider to ensure controls over IMPACT are adequate.

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2023-006. **FINDING** (Financial statement preparation weaknesses)

The Department of Healthcare and Family Services’ (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccuracies and omitted amounts affecting balances.

During our audit of the Department’s financial statements, we brought errors to the Department’s attention. The table below summarizes the impact on the financial statements. Some of the errors were individually inconsequential to the overall fairness of the presentation of the Department’s financial statements, however, the Department subsequently corrected all of the errors noted.

<i>Financial Statement Line Description</i>	<i>Overstated (Understated) (expressed in thousands)</i>
<b>Asset</b>	<b>(32,378)</b>
Due From Other Government-Federal	105,148
Allowance for Uncollectible, Other Receivables	(68,534)
Inventories	(458)
Due from other Department funds	(68,534)
<b>Expenditure</b>	<b>53,478</b>
Health and Social Services	53,478
<b>Liability</b>	<b>21,768</b>
Accounts payable & accrued liabilities	30,215
Due to other government - federal	(45,061)
Due to other Department Funds	(68,534)
Unavailable Revenue - Federal Operating Grants	105,148
<b>Revenue</b>	<b>(668)</b>
Medical Providers Assessment Taxes	(668)

In addition to the financial statement errors noted above, we brought the following footnote errors to the Department’s attention. The Department subsequently corrected these errors.

1. Footnote 3(a), Deposits: Cash on deposit for locally held funds of fiduciary activities reported a carrying amount of \$1.61 million and should have been \$1.88 million.
2. Footnote 12, Postemployment Benefits: The Deferred Outflows of Resources table originally disclosed incorrect balances for the Department contributions subsequent to the measurement date line. The balance should have been \$14 thousand and was initially reported as \$92 thousand. As a result, the total deferred outflows of resources was incorrectly reported as \$183 thousand and should have been \$106 thousand.

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Furthermore, auditors noted the Department’s financial statements were compiled from various sources, including those within the Department and other third parties. The Department lacked effective communication between its program and fiscal areas and external sources, resulting in the untimely identification of information pertinent to the financial statements. The financial reporting staff continued to receive updates from program areas and third parties after the initial financial statements were prepared resulting in further modifications. Consequently, the preparation of the final financial statements was delayed. Additional analysis continued to be performed to identify financial statement revisions. The errors and revisions noted below were identified after the initial financial statements were prepared by the Department, resulting in multiple versions of the financial statements. The final revision was provided on April 2, 2024, and the Department confirmed this was the final revision on April 18, 2024. The table below summarizes the adjustments required for the Department to present fairly, in all material respects, the financial position of the Department. Additional adjustments were made by the Department based on further analysis performed. These adjustments were individually inconsequential to the overall fairness of the presentation of the Department’s financial statements and therefore were not included in the summary below.

<i>Financial Statement Line Description</i>	<i>Overstated (Understated) (expressed in thousands)</i>
<b>Asset</b>	<b>(180,777)</b>
Due From Other Government-Federal	(180,777)
<b>Expenditure</b>	<b>(163,559)</b>
Health and Social Services	(163,559)
<b>Liability</b>	<b>(344,336)</b>
Due to other government - local	(163,559)
Unavailable Revenue - Federal Operating Grants	(180,777)

The State Comptroller Act (15 ILCS 405/19.5) requires the Department to report, on or before October 31 each year, all financial information as directed by the Comptroller in order to compile and publish an annual comprehensive financial report in accordance with GAAP.

The Government Finance Officer Association’s *Internal Control Deficiencies in Audits* advocates that governments should establish and document a system of financial reporting that is sufficient to provide reasonable assurance that management is able to prepare financial statements in conformity with GAAP. A good system of internal control requires management to review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, *Objectives of Financial Reporting* (GASBCS 1, paragraph 66), states, “If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions.”

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The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department management stated the issues were caused by a combination of delays in communication of relevant information from program areas and partner agencies and delays in updates to IT systems and processes for capturing and calculating financial reporting information.

Weaknesses in the design and operation of the Department's internal controls over financial reporting adversely affected the Department's ability to timely prepare financial statements, and in the future, could hinder the overall accuracy of the transactions reported in the State's Annual Comprehensive Financial Report. The failure to effectively implement methodologies to estimate the information not readily available at the time the financial statements should be prepared or to timely identify the above modifications delayed the completion of the Department's financial audit and the Statewide financial audit. Further, the delay in identifying accounting errors and accurate estimates significantly increases the risk that operational or strategic decisions are made without the benefit of relevant information, or decisions may be delayed because relevant information is not otherwise available. (Finding Code No. 2023-006, 2022-007)

**RECOMMENDATION**

We recommend the Department evaluate its methodologies in determining estimates for information not readily available at the time the financial statements are prepared and strengthen its internal controls to ensure its financial reporting is timely completed and in accordance with GAAP.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department will work with program area staff and with external partners to review current processes and investigate potential improved methodologies for determining estimates. The Department will strengthen its processes for review and approval of financial reporting documents.

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2023-007. **FINDING** (Failure to properly identify capital assets in accordance with reporting standards)

The Department of Healthcare and Family Services (Department) failed to properly identify leases and subscription-based information technology arrangements (SBITA) in accordance with the Governmental Accounting Standards Board (GASB) Statements.

During our review of capital assets, we noted the Department did not identify one agreement as a lease to be reported under GASB Statement No. 87. Additionally, the Department did not identify one agreement as a SBITA to be reported under GASB Statement No. 96. Furthermore, the Department identified two agreements as SBITAs, which did not meet the criteria to be reported under GASB Statement No. 96. These errors did not have a material effect on the financial statements. As a result, the Department did not make any financial statement adjustments for these issues.

Governmental Accounting Standards Board Statement No. 87, *Leases*, paragraph 4 defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Governmental Accounting Standards Board Statement No, 96, *Subscription-Based Information Technology Arrangements*, paragraph 6, defines a SBITA as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Department management indicated this error was due to oversight.

Failure to properly record all applicable activity could lead to a material misstatement in the financial statements and is in noncompliance with the GASB Statements. (Finding Code No. 2023-007)

**RECOMMENDATION**

We recommend the Department strengthen its internal controls to ensure its all capital assets are identified and recorded in accordance with the applicable GASB Statements.



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**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Department accepts the recommendations to strengthen its internal controls associated with reporting under Governmental Accounting Standards Board Statement No. 87 and Governmental Accounting Standard Board Statement No. 96. The Department is currently in the process of drafting and implementing new procedures for both GASB 87 and GASB 96 review and implementation. The implementation of these new process changes will enhance the thoroughness of the initial assessment of Department contracts and provide for additional reviews throughout the process in order to provide more accuracy. Additional reviews will also be conducted by the Department prior to submission of the SCO-560 and the SCO-560S forms that will strengthen the internal controls.

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2023-008. **FINDING** (Inadequate controls over personal services)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over employee performance evaluations and training.

During our testing, we noted the following:

- Two of 60 (3%) employees tested did not have a performance evaluation on file for fiscal year 2023.
- One of 60 (2%) employees tested did not have an evaluation of their performance conducted within four months after the end of their annual evaluation period in fiscal years 2022. We noted this evaluation was conducted 38 business days after the end of the four-month period to conduct the employee's evaluation.
- One of 60 (2%) employees tested with access to social security numbers in the course of their employment did not complete the annual identity protection training.
- Three of 60 (5%) employees tested did not have a signed statement acknowledging their responsibilities under the Abused and Neglected Child Reporting Act (ANCRA) to immediately report to the Department of Children and Family Services (DCFS) a child known to them in their professional or official capacities may be an abused or neglected child before commencing their employment.
- The Department does not track the required mandated reporter training under ANCRA. As such, the Department was unable to provide documentation demonstrating the employees in our sample completed the initial mandated reporter training and/or the training required at least every three years.

This finding was first noted during the Department's fiscal year 2005 State compliance examination, eighteen years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270) establishes a system of probationary and annual employee evaluations such that no employee is evaluated not less often than annually on their performance. In addition, the agreement between the State and American Federal of State, County, and Municipal Employees Council 31 (Union Agreement) (Article XXVII, Section 2) states an employee's annual evaluation should be performed within four months of the end of the evaluation year.

The Identity Protection Act (5 ILCS 179/37(a)(2)) requires employees with access to social security numbers in the course of performing their duties receive training on how to protect the confidentiality of social security numbers.

ANCRA (325 ILCS 5/4(i)) requires persons who enter into employment on and after July 1, 1986, and is mandated by virtue of that employment to report under ANCRA, sign a statement on a form prescribed by DCFS acknowledging their understanding of their reporting requirements under ANCRA, prior to commencing employment. The

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Department's Employee Handbook (Section 615.2) states employees of the Department are mandated reporters and requires the Acknowledgment of Mandated Reporter Status to be signed by all staff upon hire. Further, Department management asserted to us its interpretation that all Department employees are considered mandated reporters.

ANCRA (325 ILCS 5/4(j)) requires new employees who are mandated reporters under ANCRA complete an initial training course on their responsibilities under ANCRA within three months of starting employment and all employees must undergo training at least every three years thereafter, unless their professional license requires more frequent training under State law.

Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management stated the evaluation exceptions and incomplete identity protection training was caused by human error. Furthermore, Department management disagreed with the ANCRA related findings, citing their belief the Department has fulfilled its statutory requirements.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to conduct performance evaluations in a timely manner resulted in noncompliance with the Code and the Union Agreement. Further, failure to monitor employees and ensure they take all required training courses resulted in noncompliance with the Identity Protection Act and ANCRA and could result in a workforce which is not adequately trained to fulfill their duties and meet their statutory duties, including reporting potentially abused and neglected children. Additionally, failure to obtain signed statements acknowledging staff responsibilities under ANCRA could result in staff not understanding their responsibilities and resulted in noncompliance with ANCRA. (Finding Code No. 2023-008, 2021-012, 2019-018, 2017-021, 2015-011, 2013-005, 11-8, 09-5, 08-11, 07-11, 06-6, 05-1)

**RECOMMENDATION**

We recommend the Department implement controls to ensure staff members receive timely performance evaluations in accordance with the Code and training courses are completed in accordance with the State Officials and Employees Ethics Act and Identity Protection Act. Further, we recommend the Department implement internal controls to ensure staff complete the required acknowledge forms documenting their understanding of their mandated reporting responsibilities under ANCRA prior to commencing employment and to ensure staff complete the required training under ANCRA.

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**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The following corrective actions have been taken over the past several years.

- A complete list of staff evaluation due dates is circulated to each division personnel staff and administrators, for distribution to their supervisory staff, to ensure there is awareness of upcoming employee evaluation due dates.
- Monthly reminder listings of all overdue evaluations are sent by Personnel.
- Personnel has strengthened the language in management/supervisory training regarding how to conduct employee performance evaluations, and the importance and value in completing these documents.
- Personnel has also recommended that all administrators add an objective to division supervisory staff evaluations, which states, it is the responsibility to ensure that all staff under your supervision receive performance evaluations in a timely manner.
- Training is now tracked and completed on the InfoNet, and reports are available indicating training outstanding. Personnel monitors the outstanding training and sends reminders to staff.

The Department will continue to communicate the requirements regarding evaluations and training and improve compliance with those requirements.

In addition, the Department will ensure staff complete the required acknowledge forms documenting their understanding of their mandated reporting responsibilities under ANCRA prior to commencing employment and ensure staff complete the required training under ANCRA. In accordance with the Illinois Abused and Neglected Child Reporting Act, all employees categorized as field staff are issued a notice upon hire, that they are Mandated Reporters. These notices are signed by the employee and become a part of their personnel file. In addition, all staff are afforded access to the IL Abused and Neglected Child Reporting Act training on One Net, the training depository for all state agency training modules.

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2023-009. **FINDING** (Inadequate controls over accounts receivables)

The Department of Healthcare and Family Services (Department) did not have adequate controls over accounts receivables.

During testing of the quarterly accounts receivable forms (Form C-97), auditors noted the Form C-97s were manually completed by various program areas and compiled by the Department's fiscal office in order to issue a single Form C-97 per fund. We selected a sample of 14 Form C-97s submitted to the Office of Comptroller (Comptroller) during the examination period. Seven of 14 Form C-97s submitted to the Comptroller either did not have supporting documentation for the balances or had calculation errors. Specifically, we noted:

- One (7%) Form C-97s submitted contained one instance in which the Department could not provide adequate documentation to support the amounts. The unsupported balance amounted to \$5.3 million at the end of the quarter reported. The Department's financial statements did not require adjustments for the noted difference.
- Seven (50%) Form C-97s contained 12 instances in which the Department did not properly report the total combined accounts receivable information. This was due to calculation errors when combining individual program area data for the Form C-97 submissions. Incorrectly reported balances ranged from \$2 thousand to \$33.8 million at the end of the quarter reported. The Department's financial statements did not require adjustments for the noted differences.

We selected a sample of all account receivables, over 90 days, from the Department's Aging of Total Gross Receivables reports (Form C-98). As of June 30, 2023, we noted 12 of 48 (25%) accounts tested, totaling \$20,634,220, were not submitted to either the Comptroller's Offset System or sent to the Attorney General to be certified as uncollectible. For each of the 12 accounts, the Department did not provide documentation it had entered into a deferred payment plan or demonstrated to the Comptroller's satisfaction that referral for offset was not cost effective. The Department's financial statements did not require adjustments due to the accounts being considered uncollectible.

Illinois State Collection Act of 1986 (30 ILCS 210/4(b)) requires the Department to report to the Comptroller information concerning their account receivable and uncollectible claims in accordance with the rules of the Comptroller.

The Comptroller's Statewide Accounting Management System (SAMS) (Procedure 26.30.10) requires the Department to submit summary information including the receivable activity by fund and major revenue source on the Quarterly Summary of Accounts Receivable – Account Receivable Activity (Form C-97) and the aging of receivables by fund and major revenue source on the Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables (Form C-98).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(4)) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance revenues, expenditures and transfers of assets, resources, or funds

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applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Illinois State Collections Act of 1986 (30 ILCS 210/5(c-1)) states all debts that exceed \$250 and are more than 90 days past due shall be placed in the Comptroller's Offset System, unless the Department has entered into a deferred payment plan or demonstrates to the Comptroller's satisfaction that referral for offset is not cost effective.

The Uncollected State Claims Act (30 ILCS 205/2(a)) states when any State agency is unable to collect any claim or account receivable of \$1,000 or more due the agency after having undertaken all reasonable and appropriate procedures available to effectuate collection, the State agency shall request the Attorney General to certify the claim or account receivable to be uncollectible. Additionally, the Uncollected State Claims Act (30 ILCS 205/2(c)) states claims or accounts receivable of less than \$1,000 may be certified as uncollectible by the Department when the Department determines further collection efforts are not in the best economic interest of the state.

The State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Department management stated the errors noted in the quarterly receivable reports were caused by oversight and human error. Department management stated the receivables were not sent to offset or written off due to a combination of insufficient communication between program area staff and accounting staff, along with the necessity for extensive review and discussion of receivable accounts for write-off and delays in requesting and receiving the necessary approval for offset submission from the appropriate parties.

Failure to accurately report accounts receivable could hinder the Department's ability to accurately determine accounts receivable balances. The possibility could exist there are unrecorded accounts receivable or double counted amounts. Failure to submit accounts receivable accounts past due to the Comptroller's office or refer accounts receivable accounts to the Attorney General results in noncompliance with State law and could result in the State not being able to recover amounts it is owed. (Finding Code No. 2023-009)

**RECOMMENDATION**

We recommend the Department implement review processes to ensure the accuracy of the C-97 reports submitted to the Comptroller. We also recommend the Department submit past due accounts receivables to the Comptroller for placement in the Comptroller's Offset System in accordance with the Illinois State Collection Act of 1986, the Uncollected State Claims Act, and SAMS. Further, where applicable, we recommend the Department request the Attorney General to certify as uncollectible the account receivables the Department has been unable to collect.

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**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. Department fiscal staff will require program staff to submit documentation and enhance their review of that documentation to support quarterly receivable forms and remind program areas to review reports of debt \$250 or more and more than 90 days past due for placement in the Comptroller's Offset System or potential write-off.

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2023-010. **FINDING** (Weaknesses in review of external service providers)

The Department of Healthcare and Family Services' (Department) independent internal control reviews over its service providers contained weaknesses.

The Department utilized third-party service providers for various services in the engagement period, including:

- Software used in the data matching and verification, process management, and reporting of client's eligibility redeterminations.
- Administration and payment of claims for the enrollees of the State's Dental Program.
- An externally developed and hosted application which processed the Medicaid Incentive Payment Program (eMIPP) and provider credentialing certifications.
- The software and infrastructure for the Department's Pharmacy Benefits Management System.
- Management and operations of the State's Disbursement Unit for the collection and disbursement of payments under child support orders.
- IT hosting, software, and data entry services, as well as the establishment of rates and review of information related to the State's Managed Care Program.
- Infrastructure IT and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by the Department of Innovation and Technology (DoIT).

The Department utilized 22 different external service providers during the fiscal year. Several service providers perform multiple services, and therefore each may have more than one System and Organization Control (SOC) report. In total, the Department received 28 SOC reports for services used during the engagement period. During our testing of these SOC reports, we noted:

- The contracts between the Department and two of 28 (7%) service providers did not contain a requirement for a SOC report or an independent internal control review of the outsourced services.
- The Department did not have a formal agreement in place with one of 22 (5%) service providers.
- The Department did not perform a timely comprehensive review of two of 28 (7%) SOC reports. Reviews were performed over 90 days after the Department's receipt of the SOC reports.

The weaknesses noted within this finding were first noted during the engagement period ended June 30, 2015. While the Department has made substantial progress in subsequent engagements, the Department has been unsuccessful in fully implementing corrective action for the noted weaknesses.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Department to be responsible for the security of all automated data processing system (ADP) projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The



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Department is required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The Centers for Medicare and Medicaid Services' *MARS-E Document Suite* (minimum acceptable risk standards for exchanges) states that protecting and ensuring the confidentiality, integrity, and availability of state Marketplace information, common enrollment information, and associated information systems is the responsibility of the states.

Additionally, the National Institute of Standards and Technology (NIST), Security and Privacy Controls for Information Systems and Organizations, System and Services Acquisition section, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a compliance examination.

Department management indicated a delay in response from one service provider and DoIT caused the agreements to not be finalized. The Department no longer contracts with the other provider involved whose agreement did not include the reporting or review requirement. Review of two SOC reports was untimely due to oversight.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the third-party service provider's internal controls are adequate to ensure program payments and claims are accurate and secure. Additionally, the Departments' failure to monitor the services provided by DoIT could result in client data for programs administered in an environment that exposes it to significant risks. (Finding Code No. 2023-010, 2022-005, 2021-007, 2020-009, 2019-011, 2018-014, 2017-011, 2016-003, 2015-004)

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**RECOMMENDATION**

We recommend the Department:

- Include the requirement for a SOC report or an independent internal control review of the outsourced controls in the contracts between the Department and the service provider.
- Ensure a formal agreement is in place with the Department's service providers.
- Timely perform and document a complete, comprehensive review of the SOC reports received.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. While significant progress has been made in this area with the addition of departmental staff and procedural updates and changes, the Department has expanded its training and added further monitoring and tracking tools to assist in timely follow up and review processes. During and after the period under review, the Department:

- Has fully staffed the Risk Management Unit dedicated to monitoring and mitigating risks related to third-party service providers.
- Has implemented tracking tools for each vendor and their subservice providers to ensure timely receipt and review of all types of SOC reports and CUECs.
- Improved communication with contract monitors and are actively involved in the procurement process to decrease the incidence of SOC report language not being present in contracts at implementation, renewal, or amendment.
- Continues to work on obtaining formal agreements with the Department for all providers.

The Department will continue its efforts to mature these processes.

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2023-011. **FINDING** (Inadequate controls over the University of Illinois Hospital Services Fund)

The Department of Healthcare and Family Services (Department) did not have adequate controls to ensure Disproportionate Share Hospital (DSH) payments were paid in accordance with the Illinois Medicaid State Plan (State Plan).

During our testing of the University of Illinois Hospital Services Fund (Fund 0136), which included a review of the interagency agreement between the Board of Trustees of the University of Illinois (University) and the Department and testing of reimbursement rates determined by the Department, we noted the Department did not make the annual DSH payments in 12 monthly installments in accordance with the State Plan. While we noted the correct annual total amount was paid during both fiscal years 2022 and 2023, the Department did not timely process payments for the months of August 2021, November 2021, December 2021, February 2022, May 2022, and July 2022 resulting in no payment being made in those months. In order to make up for these missed months, multiple payments were made during other months.

The finding was first noted during the Department’s fiscal year 2015 State compliance examination, eight years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Plan states the annual amount shall be paid to the hospital in monthly installments and provides the calculation amounts to determine the annual amount due.

Additionally, the Department’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management indicated monthly DSH payments were not timely processed due to oversight.

Failure to make monthly installments decreases the amount of monthly cash available to the University’s hospital and clinics and resulted in noncompliance with the State Plan. (Finding Code No. 2023-011, 2021-013, 2019-019, 2017-022, 2015-010)

**RECOMMENDATION**

We recommend the Department make equal monthly DSH payments as required by the State Plan or, alternatively, amend the State Plan to reflect the current operating environment.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department will amend the language in the state plan to reflect that it will make twelve installment payments each year, not necessarily one each month.

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2023-012. **FINDING** (Inadequate controls over Managed Care Organization reporting)

The Department of Healthcare and Family Services (Department) did not have adequate controls over required Managed Care Organization (MCO) reporting.

During our review of the Department’s MCO reporting, we noted the following:

- We noted the Department did not timely post two of four (50%) reports to its website during the engagement period. These reports were posted seven and 25 days late.

During the previous engagement, we noted Department management revised the posting timeline for reports, noting future reports are to be posted on a December/June cycle to ensure the six-month requirement. The change in timeline is to allow for the inclusion of all claims in the report since providers have a 6-month (180 day) window to submit claims after providing a service. Therefore, to include all claims for a period of July 1, 2020 – December 31, 2020, data would need to be obtained through June 30, 2021. The July 1, 2020 – December 31, 2020, report would be prepared, reviewed, approved, and posted no later than December 31, 2021. All future reports would follow this same schedule.

During the current engagement, we obtained documentation on the reports to be prepared during the examination period. We noted the following:

Report Period	Scheduled Posting Date*	Actual Posting Date	Days Late
July 2020 – December 2020	December 31, 2021	January 7, 2022	7
January 2021 – June 2021	June 30, 2022	June 30, 2023	0
July 2021 – December 2021	December 31, 2022	January 25, 2023	25
January 2022 – June 2022	June 30, 2023	June 13, 2023	0

\*Posting schedule based on the Department’s set timeline as noted above.

The Illinois Public Aid Code (305 ILCS 5/5-30.1(g-7)) requires the Department to post an analysis of MCO claims processing and payment performance on its website every six months, which must include:

- 1) a review and evaluation of a representative sample of hospital claims which were rejected and denied for clean and unclean claims;
  - 2) the top five reasons for such actions and timeliness of claims adjudication, which identifies the claims adjusted within 30, 60, 90, and over 90 days; and,
  - 3) the dollar amounts associated with those claims.
- The Department did not timely publish on its website the MCO medical loss ratio (MLR) report on the calculation of each MCO’s MLR. As of June 30,

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2023, the Department had finalized the MLRs through calendar year 2020. However, as of June 30, 2023, no annual reports had been published on the Department’s website. The Department published the 2018, 2019, and 2020 MLR reports on October 18, 2023, 75 business days after the end of fiscal year 2023. Furthermore, the Department included the MLR report on its list of reports to be filed with the General Assembly, however, the Department was unable to provide support the report was submitted.

The Illinois Public Aid Code (305 ILCS 5/5-30.1(g-9)) requires the Department to publish annually on its website a report of the calculation of each managed care organization’s medical loss ratio. Further, Department management asserted to us the medical loss ratio is required to be reported to the General Assembly.

- The Department failed to timely publish four of eight (50%) quarterly MCO performance metrics reports on its website. Furthermore, the Department’s MCO performance metrics reports did not contain provider credentialing as statutorily required.

The Illinois Public Aid Code (305 ILCS 5/5-30.1(g-6)) requires the Department to publish online, on at least a quarterly basis, each MCO’s operational performance including, but not limited to, the following categories of metrics:

- 1) claims payment, including timeliness and accuracy;
- 2) prior authorizations;
- 3) grievance and appeals;
- 4) utilization statistic;
- 5) provider disputes;
- 6) provider credentialing; and
- 7) member and provider customer service.

Department management indicated the MCO claims reports were not timely published due to the time needed to resolve MCO data anomalies identified, obtain corrected information from the MCOs, analyze the revised data, and compile the final report analysis for Department review and approval. Department management indicated they were not aware of the statutory requirement to publish the MLR calculation on the Department’s website. Department management indicated the failure to publish quarterly MCO performance metrics reports was largely due to numerous departments being involved in the process over time. Additionally, management stated, the lack of provider credentialing was due to the MCOs not providing credentialing activity reported to the Department, therefore the Department was unable to include this information.

Failure to publish reports timely as required results in noncompliance with the Illinois Public Aid Code, delays oversight and accountability for the operations and performance of MCOs, and limits public knowledge and understanding of information pertinent to the MCOs. (Finding Code No. 2023-012, 2021-016, 2019-023)

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**RECOMMENDATION**

We recommend the Department strengthen internal controls to ensure the MCO reports are timely published and include the statutorily required components.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department has adjusted its reporting timeframes, for MCO hospital claims to begin requesting data from the Managed Care Organizations (MCO's) approximately 4.5 months prior to the report posting due date, to allow enough time to analyze and report on the data and findings. The CY2018, CY2019, CY2020 and CY2021 reports are posted. In addition, MCO's do not complete a separate credentialing process pursuant to contract requirements. MCO's are credentialed like all other providers through the IMPACT system. The Department will include a statement within future MCO performance reporting materials to capture this information beginning with the July 2024 MCO performance report that is anticipated to be issued in August 2024.

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2023-013. **FINDING** (Lack of agreement to ensure compliance with information technology security requirements)

The Department of Healthcare and Family Services (Department) had not entered into a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure prescribed requirements and available security mechanisms were in place in order to protect the security, processing integrity, availability, and confidentiality of its systems and data.

On January 25, 2016, the Governor signed Executive Order 2016-01, which created DoIT. Under the Executive Order, DoIT assumed responsibilities for the State’s information technology decisions and spending, including the Department’s information technology infrastructure and functions. Commencing on July 1, 2016, DoIT and the Department were to work together in order to “transfer all relevant functions, employees, property, and funds” to DoIT.

The Department and DoIT entered into an Intergovernmental Agreement (Agreement), with terms of July 1, 2017 through June 30, 2018 and July 1, 2018 through June 30, 2019. The Agreement outlined the transfer of assets and staff; however, the Agreement did not address the security, processing integrity, availability, and confidentiality of the Department’s systems and data. There have been no additional agreements in place.

The Department has the ultimate responsibility to ensure its critical and confidential systems and data are adequately secured. As such, this responsibility is not limited because the information technology functions were transferred to DoIT.

This finding was first noted during the Department’s fiscal year 2019 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State’s resources.

The Department’s management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated a delay in response from DoIT caused the agreement to not be finalized.

Without a formal agreement, the Department does not have assurance of the adequacy of controls to ensure the security, processing integrity, availability, and confidentiality of its systems and data. (Finding Code No. 2023-013, 2021-017, 2019-025)

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**RECOMMENDATION**

We recommend the Department enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are in place to protect the security, processing integrity, availability, and confidentiality of its systems and data.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department submitted its comments on a draft agreement to DoIT, in March 2024. Responses were received from DoIT in July 2024; negotiations are ongoing, and it is anticipated that an agreement will be finalized soon.



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2023-014. **FINDING** (Lack of disaster recovery testing)

The Department of Healthcare and Family Services (Department) had not conducted disaster recovery testing of its applications and data.

The Department utilizes several applications containing critical, confidential, and sensitive information in order to meet its mission. These applications are used by the Department for managing the State’s healthcare program, fulfilling the State’s child support obligations, and for the Department’s internal financial and human resource information. We identified the following such applications:

- Medicaid Management Information System (MMIS)
- Key Information Delivery System (KIDS)
- Enterprise Resource Planning (ERP) System
- Pharmacy Billing and Management System (PBMS)
- HFS Payroll System

During our review, we noted the following:

- The Department had not conducted disaster recovery testing of its applications and data during the engagement period.
- A business impact analysis (BIA) was not conducted during fiscal year 2023.

This finding was first noted during the Department’s fiscal year 2019 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

Finally, the Department’s management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated the Department is not able to do disaster recovery testing on critical systems without DoIT. The DoIT disaster recovery facility underwent some major changes during the engagement period and did not have resources to allocate to other projects.

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Failure to adequately plan for the recovery of applications and data leaves the Department exposed to the possibility of major disruptions of services. (Finding Code No. 2023-014, 2021-018, 2019-026)

**RECOMMENDATION**

We recommend the Department work with DoIT to ensure recovery capabilities meet its needs and perform and document tests of its applications and data at least once each year. In addition, we recommend the Department's various disaster recovery plans should be continuously updated to reflect environmental changes and improvements identified from tests.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. DoIT required additional time to prioritize operational tasks and projects with limited staff leading to an increased delay in executing this testing. The Department continues to engage DoIT to understand when this testing will resume. The DoIT unit responsible for conducting the Department's business impact analysis (DoIT Resiliency) is in the process of transitioning platforms causing additional delays.

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2023-015. **FINDING** (Weaknesses in cybersecurity programs and practices)

The Department of Healthcare and Family Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department’s mission to support the State by empowering Illinois residents to lead healthier and more independent lives by providing adequate access to healthcare coverage at a reasonable cost, and by establishing and enforcing child support obligations, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and medical information of the citizens of the State.

During our examination of the Department’s cybersecurity program, practices, and control of confidential information, we noted the Department:

- Provided the Department of Innovation and Technology (DoIT) Statewide Strategies regarding cybersecurity, not a Department Cybersecurity Plan. These are statewide strategies and do not count as a cybersecurity plan for the Department.
- Had a risk assessment performed during the engagement period, but it did not identify confidential, personal, and information susceptible to attacks.
- Classified its data according to risk, but the classification does not discuss the associated protection based on risk, nor does it classify all types of data, including storage media.

Additionally, weaknesses were noted related to the Department’s management of external service providers (see Finding No. 2023-010) and weaknesses were noted related to timely removal of user access (see Finding No. 2023-004).

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices.

*The Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission. Additionally, stating the frequency of the risk assessment is a requirement of NIST.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State’s resources.

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Furthermore, generally accepted information technology guidance, including NIST, endorses the development of well-designed and well-managed controls to protect computer systems and data.

Department management indicated that DoIT had higher priorities which led to deficiencies in being able to help the Department meet their needs.

The lack of adequate and Department-specific cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-015, 2021-019)

**RECOMMENDATION**

We recommend the Department work with the DoIT to obtain a detailed understanding of responsibilities related to cybersecurity controls. Additionally, we recommend the Department:

- Develop a cybersecurity plan.
- Ensure a risk comprehensive risk assessment is performed and identifies confidential, personal, and information susceptible to attacks.
- Develop a risk management methodology and ensure all data is classified by risk and has associated protection noted.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department will sign and publish the drafted Cybersecurity Plan so it is available to all Department employees. The Department will also further mature its Risk Management Program and ensure that assessments are conducted to include the appropriate data categorization.

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2023-016. **FINDING** (Failure to establish the Long-Term Services and Supports Workgroup)

The Department of Healthcare and Family Services (Department) did not establish the Long-Term Services and Supports (LTSS) Workgroup (Workgroup).

During our review of the Department’s statutory requirements, we noted the Department did not establish the LTSS Workgroup. As a result, the Department did not submit the required annual reports to the Governor or General Assembly for fiscal years 2022 or 2023.

Public Act 103-0508, effective on August 4, 2023, amended the Illinois Public Aid Code (Code) (305 ILCS 5/12-4.48). The amendment changed the name of the LTSS Disparities Task Force (Task Force) to the LTSS Disparities Workgroup of the Medicaid Advisory Committee in accordance with the requirements of 42 CFR 431.12. This Workgroup’s statutory requirements remain the same as the former Task Force, which include promoting and facilitating communication, coordination, and collaboration among relevant State agencies and communities of color, limited English-speaking communities, and the private and public entities providing services to those communities. Through a variety of statutory requirements, the Workgroup is required to document information relating to LTSS, analyze and identify disparities, prepare recommendations for actions to be taken by the State to address disparity issues, and monitor the progress of the State in eliminating racial disparities in the delivery of LTSS.

Additionally, the Code requires the Workgroup to report its findings and recommendations to the Governor and the General Assembly with annual reports and shall include documentation of progress made to eliminate disparities in long-term care service settings.

Department management stated it established the Health Equity and Quality Subcommittee (Subcommittee) of the Medicaid Advisory Committee previously and believe it fulfilled the former LTSS Disparities Task Force requirements. They further stated the Subcommittee opened discussion on the LTSS Disparities Workgroup in March 2023 asking for volunteers to join; however, nothing had been formalized. Department management stated the annual report had not been addressed due to the LTSS Disparities Workgroup not being fully created.

Failure to establish and operate the Workgroup hinders the State’s efforts to eliminate disparities in the long-term care settings and results in noncompliance with the Code. Additionally, failure to submit the required annual report to the Governor and General Assembly results in noncompliance with the Code. (Finding Code No. 2023-016, 2021-022)

**RECOMMENDATION**

We recommend the Department establish the LTSS Disparities Workgroup to address the statutory duties and submit the required annual reports.

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**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. In 2019 a subcommittee of the Medicaid Advisory Committee, the Illinois Long-Term Services and Supports (LTSS) Disparities Taskforce was formed in response to Public Act 098-0825. The intention of the Act was to clarify and document the extensiveness the LTSS provided to Illinois residents needing assistance in order to maintain their health and quality of life. Public Act 103-0508 amended the Illinois Public Aid Code at 305 ILCS 5/12-4.48 by changing the LTSS Disparities Taskforce to be the LTSS Disparities Workgroup of the Medicaid Advisory Committee. This workgroup’s statutory requirements remained the same as the former taskforce. In March 2023 and again in January 2024, the Department issued a notice recruiting subcommittee volunteers to join, however, to date volunteers were not forthcoming. HFS continue to solicit participation and will be employing more targeted outreach to qualified individuals asking for their participation. It is our hope that these efforts will prove fruitful allowing us to convene the workgroup asap. Given that the LTSS Disparities Workgroup has not been fully created, no annual reports have been produced.

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2023-017. **FINDING** (Inadequate internal controls over required reporting)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over required reports and publications.

During our review of the Department’s various statutory requirements related to reports and publications, we noted the following:

- The annual Veteran’s Health Insurance Program reports were not submitted to the General Assembly in fiscal years 2022 or 2023. Additionally, these reports were not made available on the Department’s website. The last report submitted to the General Assembly was for calendar year 2017.
- The Office of Inspector General annual reports regarding investigations were not submitted to the General Assembly or the Governor in fiscal years 2022 or 2023. Additionally, these reports were not made available on the Department’s website. The last report submitted to the General Assembly and Governor was in fiscal year 2021.
- Seventeen of 47 (36%) provider fee schedules published on the Department’s website were provided only in a portable document format (PDF) or Excel® format, rather than in both formats.

Furthermore, the Department could not provide documentation that reports submitted to the General Assembly were deposited into the State Government Report Distribution Center at the Illinois State Library, and the Department could not provide support its publications were provided to the Illinois State Library for its collection and exchange purposes. As such, we were unable to perform additional procedures to determine the Department’s compliance with State law.

The Veterans’ Health Insurance Program Act of 2008 (330 ILCS 126/45) requires the Department to prepare an annual report for submission to the General Assembly by January 1 of each year. This report shall include information regarding implementation of the program, including the number of veterans or spouses enrolled and any available information regarding other benefits derived from the program, including screening for and acquisition of other veterans’ benefits through the Veterans’ Service Officers and the Veterans’ Assistance Commissions.

The Illinois Public Aid Code (305 ILCS 5/12-13.1(h)) requires the Department’s Office of the Inspector General (Office) to make annual reports, findings, and recommendations regarding the Office’s investigations into reports of fraud, waste, abuse, mismanagement, or misconduct relating to any programs administered by the Department of Healthcare and Family Services to the General Assembly and the Governor.

The Illinois Public Aid Code (305 ILCS 5/5-30.7(b)) requires the Department to publish, on its website, provider fee schedules in both PDF and Excel® format.

The General Assembly Organization Act (25 ILCS 5/3.1) requires the Department to make reports submitted to the General Assembly available for a reasonable time on its website and

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to submit its reports filed with the General Assembly to the State Government Report Distribution Center at the Illinois State Library.

The State Library Act (15 ILCS 320/21(a)) requires the Department provide and deposit with the Illinois State Library sufficient copies of all publications issued by the Department for its collection and exchange purposes.

Department management stated the Veteran’s Health Insurance Program reports and the Office of Inspector General annual reports were not submitted to the General Assembly and/or posted on the Department’s website due to staff turnover within the Office of Legislative Affairs. Department management stated the provider fee schedules were not posted to the Department’s website in both PDF and Excel® format and reports were not submitted to the State Library due to employee oversight.

Failure to post reports submitted to the General Assembly on the Department’s website and deposit reports and publications into the Illinois State Library limits public access to the Department’s reports and publications, hinders the archival responsibilities of the Illinois State Library, and results in noncompliance with both the General Assembly Organization Act and State Library Act. (Finding Code No. 2023-017, 2021-025)

**RECOMMENDATION**

We recommend the Department implement procedures to ensure the timely preparation and publishing of reports in accordance with the statutory requirement. In addition, we recommend the Department regularly review its listing of statutory requirements.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department will prioritize implementation of a centralized process to ensure the timely preparation and publishing of reports in accordance with the statutory requirements. In addition, the Department will ensure regular review of the listing of statutory requirements. At this time, each division is auditing reports under their domain and adding those reports to a central tracking infrastructure under development.



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2023-018. **FINDING** (Voucher processing weakness)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over voucher processing.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Department's expenditures data for fiscal years 2022 and 2023 to determine compliance with the State Prompt Payment Act and the Illinois Administrative Code. We noted the following noncompliance:

- The Department owed 50 vendors interest totaling \$115,195 in fiscal years 2023; however, the Department had not approved these vouchers for payment to the vendors.
- The Department did not timely approve 12,748 of 119,384 (11%) vouchers processed during the examination period, totaling \$549,496,798. We noted these late vouchers were approved between 18 and 270 days late.

During detail testing over vouchers across various line items, we noted the following.

- Three of 60 (5%) general vouchers tested, totaling \$108,991, were not properly reported on the Department's inventory listing or listing of leased items.
  - Two of these vouchers included purchases for 97 equipment items procured through the Department of Innovation and Technology (DoIT). Four of the 97 (4%) items, totaling \$5,748, were not recorded on the Department's inventory listing. Seven of the 97 (7%) items, totaling \$5,880, were added to the Department's inventory listing 130 to 299 calendar days late.
  - One of these vouchers included purchases for 20 equipment items, totaling \$50,800. These items were reported on the Department's property listing with a total value of \$8,097, resulting in under-reporting the value by a total of \$42,703.
- One of 60 (2%) general vouchers tested, totaling \$1,544, did not include fuel charge slips, totaling \$47, for one vehicle.
- One of 25 (4%) travel vouchers tested, totaling \$88, had mileage claimed for more than the allowable miles resulting in an over payment of \$8.

This finding was first noted during the Department's fiscal year 2017 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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The State Prompt Payment Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control.

The State Records Act (5 ILCS 160/8) requires the Department's Director to make and preserve records containing adequate and proper documentation of the essential transactions of the Department to protect both the legal and financial rights of the State and of persons directly affected by the Department's activities.

The Illinois Administrative Code (80 Ill. Admin. Code 3000.220) states as a condition of employment, employees expect to incur commuting expenses between their residence and headquarters and all travel must be by the most direct route.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to maintain accountability over the State's resources.

The Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated the prompt payment issue was due to an accounting system error. Additionally, Department management stated the exceptions related to timely approving vouchers were due to the Department's interpretation of the Code, the extensive review process required for invoices related to a program to assist hospitals with staffing during the Public Health Emergency, and staffing turnover which resulted in delays of payment. Further, Department management stated the differences noted on the general vouchers and travel voucher were caused by human error.

Failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. Furthermore, failure to ensure compliance with applicable rules and regulation could result in improper expenditures of State funds. (Finding Code No. 2023-018, 2021-026, 2019-017, 2017-020)

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**RECOMMENDATION**

We recommend the Department approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors. Additionally, we recommend the Department strengthen internal controls to ensure compliance with applicable rules and regulations over expenditures and maintain all supporting documentation. Furthermore, we recommend the Department seek reimbursement for any overpayments of reimbursed mileage.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. A change request was submitted to the IL ACTS team at the Department of Innovation and Technology (DoIT) to update the prompt payment interest program to capture all applicable vouchers subject to prompt payment interest. Until that change request is implemented the Department has employed a work around to request a special run of PPI monthly.

In relation to the approval of proper bills within 30 days, it has been the Department’s long-standing interpretation of the Rules language that if payments are exempt from the Act, they are exempt from all requirements of the Act, including the 30-day processing timeframe. This interpretation is based on language found in the Joint Administrative Rules of the Comptroller and the Department of Central Management Services: Prompt Payment (74 Ill. Admin. Code 900.120), which states “The following non-exhaustive list represents the types of payments that are **excluded from the Act** (emphasis added) and consequently do not qualify for interest penalties.” Payments, the Department believed were exempt from the Act, represented 4,810 vouchers approved beyond the 30 days totaling \$113,684,705.

Additionally, 2,639 vouchers totaling \$260,631,389 of the vouchers approved beyond the 30 days were invoices for a program to assist hospitals with nursing staffing during the Public Health Emergency. This emergency program required review of approximately 3,500 invoices while managing 171 missions. All invoices and missions were tracked, including the staffing costs, as well as the hours worked, which were reconciled between copies of individual nurse timecards and invoices.

The remaining approvals that occurred beyond the 30 days were due to staffing turnover and recruiting delays resulting in staffing shortages in the payment originating, non-financial reporting program areas. This represented 5,299 vouchers totaling \$175,180,704.

Regardless, the Department will continue its efforts to advise staff on the timely approval requirements for all invoices. A monthly report is being developed to monitor compliance with the requirement and distribute to key management staff to assist in achieving compliance.

The Department will also ensure it is obtaining and maintaining all supporting documentation for payments processed and will seek reimbursement when necessary for employee overpayments.

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2023-019. **FINDING** (Inadequate controls over State vehicles)

The Department of Healthcare and Family Services (Department) did not have adequate controls over State vehicles.

The Department maintained a total of 24 State vehicles during the fiscal years under examination. During our review of the schedule of vehicles prepared by the Department, we noted:

- One (4%) vehicle was inadvertently not included on the Department’s schedule of vehicles.
- The Department was unable to provide supporting documentation of the year-end mileage for two (8%) vehicles in fiscal year 2022.
- The Department was unable to provide supporting documentation of the year-end mileage for one (4%) vehicle in fiscal year 2023.
- The year-end mileage reported for five (21%) vehicles in fiscal year 2023 did not agree to supporting documentation. Mileage was under reported between four to 292 miles.

During our testing for proper maintenance, we noted the following.

- Sixteen (67%) vehicles had one or more instances of untimely oil changes. The overages were between 1,079 and 13,068 miles and between nine and 35 months. We noted:
  - One was untimely based on the number of miles driven from the previous oil change.
  - Two were untimely based on months lapsed since the last oil change.
  - Thirteen were untimely based on both the number of miles driven from the previous oil change and the passage of time since the last oil change.
- Nine (38%) vehicles did not receive an inspection in one or both of the fiscal years tested.

This finding was first noted during the Department’s fiscal year 2017 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Vehicle Use Act (Act) (30 ILCS 617) requires each agency to designate a vehicle use officer to monitor the use of State-owned vehicles by that State agency and for the Department’s vehicle use policies to include procedures regarding daily vehicle use logs and mileage recording. Section 240.6 of the Department’s Vehicle Policy states each bureau or division that has a vehicle must also have a Vehicle Liaison who will ensure that vehicle logs are updated regularly.

The Department of Central Management Services’ *Vehicle Usage Program* requires vehicles to receive regular oil changes, which passenger vehicles less than 10 years old receiving an oil change every 5,000 miles or 12 months, whichever occurs first, and passenger vehicles 10 years old or older receiving regular oil changes every 3,000 miles or 12 months, whichever occurs first.

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The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.410(a)) requires each vehicle receive an inspection at least once per year.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls would dictate accurate updates of the Department's schedule of vehicles.

Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated the schedule of automobiles was not properly updated due to oversight. Additionally, Department management stated the failure to properly maintain Department vehicles was due to employee oversight and closure of the Department's motor pool from March 2020 to May 2022 due to the COVID-19 pandemic.

Failure to maintain vehicle logs for all Department vehicles represents noncompliance with the State Vehicle Use Act and the Department's policies and could lead to misuse of State property. Failure to properly maintain vehicles could result in costly repairs and early deterioration of the Department's capital assets and resulted in noncompliance with the Code and the *Vehicle Usage Program*. (Finding Code No. 2023-019, 2021-011, 2019-015, 2017-018)

**RECOMMENDATION**

We recommend the Department implement controls to properly monitor and update its schedule of vehicles, as well as maintain accurate vehicle logs for all Department vehicles. We also recommend the Department implement controls to ensure its vehicles timely undergo all required maintenance.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department's Bureau of Administrative Services now employs a motor pool coordinator who works to ensure that all motor pool vehicles are maintained appropriately.

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2023-020. **FINDING** (Noncompliance with the requirements of the Illinois Insurance Code)

The Department of Healthcare and Family Services (Department), in conjunction with the Department of Insurance (DOI), did not comply with the reporting requirements of the Illinois Insurance Code (Code) pertaining to mental health and substance use disorder coverage and parity laws.

During testing we noted the 2021 annual report, due on January 1, 2022, was submitted on March 30, 2022, 88 days late. The 2022 annual report, due on January 1, 2023, was not submitted as of our testing date. Additionally, the Department was unable to support the Department and DOI performed the required educational presentation to the General Assembly on either the 2021 or 2022 annual joint reports.

The Code (215 ILCS 5/370c.1(h)(3)) requires the Department, in conjunction with the DOI, to issue a joint report to the General Assembly and provide an educational presentation pertaining to various elements of mental, emotional, nervous, and substance use disorders and conditions and compliance with parity obligations under State and federal law to the General Assembly no later than January 1 of each year.

Department management stated the report was not submitted due to the lack of interagency coordination with the Department of Insurance regarding the submission of the report.

Failure to timely submit the statutorily required annual joint report and perform the required presentation prevents the General Assembly from receiving relevant feedback and obtaining knowledge for the oversight of State programs and represents noncompliance with the Code. (Finding Code No. 2023-020)

**RECOMMENDATION**

We recommend the Department work with DOI to ensure annual joint reports are submitted and educational presentations are performed timely to comply with the requirements of the Code.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. Through the development of a report work plan, the Department prepared the required portions of the 2022 report and submitted the content to the Department of Insurance (DOI) on December 2, 2022, for inclusion into the report. The Department received the final draft of the annual report from DOI on February 3, 2023, which was finalized, signed by both directors, and posted to the Department's website in March 2023. The Department will continue to work with DOI on the timely completion of the joint report and submission of reporting to the general assembly.

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2023-021. **FINDING** (Insufficient controls over Managed Care Organization contracts)

The Department of Healthcare and Family Services (Department) did not adequately monitor Managed Care Organization (MCO) contracts to ensure compliance with all contractual provisions.

The Department is the State’s designated agency responsible for providing healthcare coverage for adults and children who qualify for Medicaid. In conjunction with the federal government, the Department ensures medical services are provided to approximately 25 percent of the State’s population.

The Department has three distinct care coordination programs: HealthChoice Illinois (HCI), YouthCare (a specialized HCI program), and Medicare-Medicaid Managed Alignment Initiative (MMAI). During fiscal years 2022 and 2023, the Department had five HCI contracts and five MMAI contracts. Each contract outlines specific deliverables for the Department to obtain.

During our testing of MCO contract monitoring for fiscal year 2022, we noted the following:

- The Department did not obtain the following required reports for the five (100%) HCI contracts:
  - Quarterly provider-preventable conditions reports.
  - Annual Business Enterprise Program (BEP) report.
  - Monthly critical incidents detail report.
  - Quarterly critical incidents detail report.
  - Quarterly value-based payment arrangements.
  - Quarterly Healthcare Effectiveness Data and Information Set (HEDIS) and state-defined plan goals
- The Department did not obtain the following required reports for the five (100%) MMAI contracts:
  - Annual accreditation summary report, recommendations, corrective plans, and summaries of findings.
  - Annual BEP report.
  - Semi-annual reports on other insurance for pay and recover later, cost avoidance, and recovery.
  - Semi-annual report on accidents and trauma cases for cost avoidance and recovery information.
  - Quarterly Medicaid drug rebate report.

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Additionally, during our testing of MCO contract monitoring for fiscal year 2023, we noted the following:

- The Department did not obtain the following required report for the five (100%) HCI contracts:
  - Quarterly provider-preventable conditions report.
- The Department did not obtain the following required reports for the five (100%) MMAI contracts:
  - Semi-annual reports on other insurance for pay and recover later, cost avoidance, and recovery.
  - Semi-annual report on accidents and trauma cases for cost avoidance and recovery information.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State’s resources are used efficiently and effectively.

Good business practice calls for a process to be in place to monitor contractual agreements for compliance with their requirements.

Department management indicated the identified deliverables were not obtained due to the Department’s ongoing reevaluation of whether the deliverables were necessary for MCO monitoring.

Inadequate monitoring and review to ensure compliance with all contractual provisions of the MCO contracts could lead the State to unnecessary legal risks and could result in unnecessary expenses and overreliance on contractors. Further, inadequate controls over MCO contract monitoring may result in the Department not meeting the needs of individuals dependent on the State for medical services. (Finding Code No. 2023-021)

**RECOMMENDATION**

We recommend the Department improve internal controls to ensure all required deliverables are obtained.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department issued reporting policies to the Managed Care Organizations (MCOs) and applies a SharePoint reporting system to capture, monitor, and track timely submission of contractually required reports for each MCO. The Department is also working with subject matter experts in its Third-Party Liability (TPL) Unit to complete report templates to begin to capture MCO reports that are related to TPL and not already captured in encounter data submitted by the MCOs.



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2023-022. **FINDING** (Lack of adequate internal controls over hospital access payments)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over hospital access payments.

During our testing, we noted hospital access payments made to Managed Care Organizations (MCOs) for two of the 12 months (17%) were not submitted to the Illinois Office of Comptroller (Comptroller) within seven business days. The hospital access payments were submitted to the Comptroller one to 10 business days late.

Additionally, we noted the Department only distributed \$413,642,739 of the required \$460,000,000 in Hospital Pandemic Recovery Stabilization Payments to hospitals by the April 1, 2023 deadline.

The Illinois Public Aid Code (Code) (305 ILCS 5/5A-12.7(e)) requires the Department to issue hospital access payments to the Comptroller by the 7th business day of each month for all MCOs.

The Code (305 ILCS 5/5A-12.7(q)) required the Department to disburse a pool of \$460,000,000 in Hospital Pandemic Recovery Stabilization Payments to hospitals prior to April 1, 2023.

Department management indicated the late payments for one month was due to cash balance shortages in the Hospital Provider Fund and the second month was due to the recent approval of new rates requiring reconciliations before the monthly payments could be issued. Additionally, Department management stated the payment delay for the Hospital Pandemic Recovery Stabilization Payments was due to the Department reaching their federal limitations for certain classes of hospitals. Additional payments could not be made until actuaries completed their review.

Failure to timely submit payments or distribute the required amount decreases the amount of cash available to the hospitals and represents noncompliance with the Code. (Finding Code No. 2023-022)

**RECOMMENDATION**

We recommend the Department timely submit hospital access payments and make distributions required by Illinois statute timely.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department will work with its partners to mitigate the circumstances which might prevent it from making the payments by the seventh business day in the future.

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2023-023. **FINDING** (Noncompliance with the Children and Family Services Act)

The Department of Healthcare and Family Services (HFS), the Department of Children and Family Services (DCFS), the Department of Human Services, the Illinois State Board of Education, the Department of Juvenile Justice, the Department of Corrections, the Illinois Urban Development Authority, and the Department of Public Health (collectively, the “Departments”) did not have an existing interagency agreement (IA) over the preventative services provided to youth and young adults under the custody or guardianship of DCFS.

In order to intercept and divert youth in care from experiencing homelessness, incarceration, unemployment, and other similar outcomes the Departments were to enter into an IA for the purpose of providing preventative services to youth in care and young adults who are aging out of or have recently aged out of the custody or guardianship of DCFS.

During our testing, we noted the Departments had executed an IA effective March 23, 2020 through January 21, 2023. However, no meetings had been held or progress made to accomplish the goals set forth in the initial IA, including HFS not designating a liaison for the Children and Family Services Interagency Team. Additionally, no reports were prepared by the Departments and submitted to the General Assembly as required. Further, the Departments have allowed the initial IA to expire.

The Children and Family Services Act (Act) (20 ILCS 505/43(a) requires the Departments to enter into an IA within 180 days after July 26, 2019. The Act (20 ILCS 505/43(b)) also requires each agency to establish an interagency liaison to review cases of youth in care and young adults and connect such youth in care and young adults to the appropriate supportive services and treatment programs to stabilize them during their transition out of State care. The Act (20 ILCS 505/43(c)) further requires the Departments to submit a report to the General Assembly on January 1, 2021, and each January 1 thereafter.

The initial IA required each agency to designate a liaison to serve on the Interagency Team and the Interagency Team was to meet on a quarterly basis to discuss support for the youth and young adults. The initial IA also stated the Departments would work together to submit the annual report to the General Assembly.

Department management indicated the liaison was not appointed and reports were not prepared due to the Interagency Team not getting established. Management further indicated the Interagency Team was not established due to subsequent legislation creating the Youth Homelessness Prevention Subcommittee of the Illinois Interagency Task Force on Homelessness established under Executive Order 2021-21.

Failure to maintain an executed IA addressing the preventative services to be provided to youth and young adults under the custody or guardianship of DCFS could result in not meeting the needs of the State and supporting the individuals dependent on the State for services. Additionally, not having an executed IA, establishing liaisons or providing required reports represents noncompliance with the Act. (Finding Code No. 2023-023)

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**RECOMMENDATION**

We recommend the Department take action to execute an IA, designate a liaison, and provide the required annual report under the Act.

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department of Children and Family Services (DCFS) is the lead agency for this mandate. The Department provided information to DCFS for the report, and DCFS submitted the reports to the General Assembly for 2021-2023 on February 7, 2024. DCFS is working to execute a new interagency agreement with the Department.

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2023-024. **FINDING** (Inadequate controls over preparing and submitting Agency Workforce Reports)

The Department of Healthcare and Family Services (Department) did not have adequate internal controls over the preparation and submission of its Agency Workforce Reports.

The fiscal year 2021 Report, submitted in fiscal year 2022, contained 298 categories to be reported. The report contained 21 (7%) categories in which the number of employees reported in the category did not agree to Department support. These incorrect entries also caused the totals and/or the percentages in 51 (17%) categories to be inaccurately reported. Additionally, while the number of reported employees used to calculate the totals and/or percentages in all other categories were correct, we noted 17 (6%) categories in which the totals and/or percentages were not correctly calculated.

The fiscal year 2022 Report, submitted in fiscal year 2023, contained 290 categories to be reported. The report contained 20 (7%) categories in which the number of employees reported in the category did not agree to Department support. These incorrect entries also caused the totals and/or percentages in 23 (8%) categories to be inaccurately reported. Additionally, while the number of reported employees used to calculate the totals and/or percentages in all other categories were correct, we noted three (1%) categories in which the totals and/or percentages were not correctly calculated.

We noted the fiscal year 2022 Agency Workforce Report (Report), due January 1, 2023, was filed with the Secretary of State and the Governor's Office on January 4, 2023, three days late. Additionally, the Department was unable to provide supporting documentation of when it submitted the fiscal year 2021 Report, due January 1, 2022, to the Governor's Office.

The State Employment Records Act (Act) (5 ILCS 410/20) requires each State agency to collect, classify, maintain, and report accurate data regarding the number of State employees, as required by the Act, on a fiscal year basis. Each agency is also required to file a copy of all reports with the Office of the Secretary of State and submit a copy to the Governor by January 1 each year. Good internal controls require the reports to be filed with correct information.

Further, the State Records Act (5 ILCS 160/8) requires the Director to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Department management stated the discrepancies were due to human error.

Failure to provide complete and accurate reports prevents fulfillment of the purpose of the State Employees Records Act, which is to provide information to help guide efforts to achieve a more diversified State workforce. Failure to retain records supporting the Department's submission of the reports to the Governor's office represents noncompliance with the State Records Act. (Finding Code No. 2023-024)

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**RECOMMENDATION**

We recommend the Department complete internal reviews to ensure accurate Agency Workforce Reports are prepared and adequate documentation is maintained for submitting the reports to all required parties. Additionally, we recommend the Department submit its annual Report by January 1 of each year to both the Secretary of State and the Governor. Furthermore, we recommend the Department submit corrected reports for fiscal years 2021 and 2022, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

**DEPARTMENT RESPONSE**

The Department of Healthcare and Family Services (Department) accepts the recommendation. The Department continues to work toward 100% accuracy. or fiscal year 2024, the report was independently reviewed before submission and any edits/updates for prior years have been submitted.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

- A. **FINDING** (Insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data)

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) had insufficient internal controls over changes to IES and recipient data.

During the current engagement, we noted the Departments continued to have insufficient internal controls over the changes to IES and recipient data. These conditions have been combined with other general information technology control exceptions we noted in Finding 2023-001. (Finding Code No. 2021-001, 2020-003, 2019-004, 2018-007, 2017-009)

- B. **FINDING** (Inadequate access review procedures for the Integrated Eligibility System (IES))

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) failed to implement adequate procedures over the user access review process for IES.

During the current engagement, we noted the Departments continued to fail at implementing adequate procedures over the user access review process for IES. These conditions have been combined with other general information technology control exceptions we noted in Finding 2023-001. (Finding Code No. 2021-002, 2020-004)

- C. **FINDING** (Detailed agreement between the Department of Human Services, the Department of Healthcare and Family Services and the Department of Innovation and Technology over IES not finalized)

During the previous engagement, the Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) did not finalize an interagency agreement (IA) with the Department of Innovation and Technology (DoIT) to define each of the three agency’s roles and responsibilities with respect to the Integrated Eligibility System (IES).

During the current engagement, the Departments and DoIT entered into an IA defining the roles and responsibilities of each agency with respect to IES. (Finding Code No. 2022-009, 2021-004, 2020-006, 2019-006)

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

D. **FINDING** (Inadequate internal controls over census data)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other post-employment benefits plans was complete and accurate.

During the current engagement, the Department performed the initial complete reconciliation of the Department's census data for fiscal year 2021 data to develop a base year of complete and accurate census data. Additionally, we noted the Department implemented a process to annual obtain and incremental changes in its census data and reconcile these changes back to the Department's internal supporting records. (Finding Code No. 2021-008, 2020-011)

E. **FINDING** (Noncompliance with the Illinois Health Information Exchange and Technology Act)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not perform the duties required by the Illinois Health Information Exchange and Technology Act (Act) (20 ILCS 3860/10). Department management made a determination the Department would not operate the Illinois Health Information Exchange (ILHIE).

During the current engagement, the Department obtained a legislative remedy to eliminate the ILHIE and its duties. The Act was repealed effective July 1, 2023, with the passage of SB2294. As a result, this finding is not repeated. (Finding Code No. 2021-009)

F. **FINDING** (Excess cash in the Health Information Exchange Fund)

During the previous engagement, the Department of Healthcare and Family Services (Department) had excess cash within the Health Information Exchange Fund (Fund 0606).

During the current engagement, we noted the passage of SB2294, effective July 1, 2023, dissolved the Health Information Exchange Office and fund. The bill was signed by the Governor on August 4, 2023, and the Department requested the transfer of the excess cash to the General Fund on August 17, 2023. As a result, this finding will not be repeated. (Finding No. 2021-010, 2019-014)

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

G. **FINDING** (Failure to maintain a voter information data transfer mechanism)

During the prior engagement, the Department of Healthcare and Family Services (Department) failed to establish and operate a voter registration system capable of transmitting voter registration application information to the State Board of Election's (SBE) portal interfaced with its Online Voter Registration System as required by the Election Code.

The Department is prohibited by federal law from transmitting its clients' demographic data. Therefore, during the current engagement, the Department worked with the SBE to offer a direct link to the Online Voter Registration System for any eligible person to electronically apply to register to vote or update his or her existing voter registration as a solution. As a result, this finding is not repeated. (Finding Code No. 2021-014, 2019-020, 2017-025)

H. **FINDING** (Failure to establish rate methodology and file required reports for the mammography program)

During the previous engagement, the Department of Healthcare and Family Services (Department) had failed to establish a federally-approved rate methodology and file a status report for the mammography program, as required by the Illinois Public Aid Code.

During the current engagement, the Department established a federally-approved rate methodology and subsequently filed the required status report with the General Assembly. (Finding Code No. 2021-015, 2019-021, 2017-026)

I. **FINDING** (Failure to perform parity compliance audits of Managed Care Organizations)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not perform parity compliance audits of Managed Care Organizations (MCOs).

During the current engagement, the Department provided documentation that various parity compliance audits of MCOs were completed and in progress during the examination period. (Finding Code 2021-020)

J. **FINDING** (Failure to post hospital provider annual assessment adjustment details)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not publish annual assessment adjustment details on its website in accordance with the Illinois Public Code.

During the current engagement, the Department implemented corrective action and published the required annual assessment adjustment details on its website. (Finding No. 2021-021)



**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

K. **FINDING** (Failure to adopt administrative rules regarding care coordination)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not adopt rules to ensure patient is able to access nursing home care, the nursing home is not penalized for accepting the admission, and the patient's timely discharge from the hospital is not delayed in accordance with the mandate.

During the current engagement, we noted a legislative change removed the Department's requirement of adopting rules. As a result, this finding will not be repeated. (Finding Code No. 2021-023)

L. **FINDING** (Failure to post pregnancy and childbirth rights to the Department's website)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not post the pregnancy and childbirth rights of women on its website.

During the current engagement, we noted the Department took corrective action and posted all the pregnancy and childbirth rights of women set forth in the statute to its website. As a result, this finding is not repeated. (Finding Code No. 2021-024)

M. **FINDING** (Failure to obtain and review Monthly Security Status Reports)

During the previous engagement, the Department of Healthcare and Family Services (Department) failed to obtain and review monthly security status reports from the vendor responsible for calculating inpatient and outpatient rates. The Department did not enforce provisions of the vendor's contract which required the vendor to provide reporting on the effectiveness and monitoring of security controls.

During the current engagement, we noted the Department required the vendor to provide reporting on the effectiveness and monitoring of security controls by obtaining and reviewing the monthly security status reports. (Finding Code No. 2021-027)

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**STATE COMPLIANCE EXAMINATION**  
**For the Two Years Ended June 30, 2023**

**Status of Performance Audit Recommendations**

On June 21, 2023, the Office of the Auditor General released the performance audit of the Covering ALL KIDS Health Insurance Program for the four-year period from July 1, 2018 through June 30, 2022. This was the 11<sup>th</sup> and final audit of the ALL KIDS program. Effective July 1, 2022, the ALL KIDS program became inoperative. Children eligible for health care benefits under the Covering ALL KIDS Health Insurance Act were transitioned into the Medical Assistance Program making the ALL KIDS program a “Medicaid Expansion Program.”

The final performance audit of the ALL KIDS program contained four recommendations. These recommendations were followed up as part of the Department’s Financial Audit and resulted in Finding Code No. 2023-001 through 2023-003 in the Department’s State Compliance Examination Report.