State of Illinois
Department of Human Services

Financial Audit
For the Year Ended June 30, 2020

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

State of Illinois
Department of Human Services
Financial Audit

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State of Illinois

Department of Human Services

Agency Officials

Secretary	Grace B. Hou
Assistant Secretary (Operations)	Dulce Quintero
Assistant Secretary (Programs)	Kia Coleman
Budget Director	Tiffany Blair
Business Services Director	Paul Hartman
Chief of Staff	Ryan Croke
Chief Financial Officer	Robert Brock
Chief Operating Officer	Francisco DuPrey
Chief Internal Auditor	Amy Macklin
General Counsel	John F. Schomberg
Inspector General	Peter Neumer (11/18/19 – present) Dan Dyslin (Acting, through 11/17/19)

Agency main offices are located at:

100 South Grand Avenue, East
Springfield, Illinois 62762

401 South Clinton Street
Chicago, Illinois 60607

State of Illinois
Department of Human Services
Financial Statement Report

Summary

The audit of the accompanying basic financial statements of the State of Illinois, Department of Human Services (Department) was performed by RSM US LLP.

Based on their audit, the auditors expressed unmodified opinions on the Department's basic financial statements.

Summary of Findings

Item No.	Page	Last/First Report	Description	Finding Type
			Findings (*Government Auditing Standards*)	
2020-001	78	2019/2017	Medical Assistance Program Financial Information	Material Weakness and Noncompliance
2020-002	80	2019/2017	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Material Weakness
2020-003	85	New	Revenue not Recorded in the Correct Fund and Noncompliance with Statute	Material Weakness and Noncompliance
2020-004	88	New	Errors in Computing the Allowance for Doubtful Accounts	Material Weakness
2020-005	90	2019/2015	Inadequate Controls over Eligibility Determinations and Redeterminations	Material Weakness and Noncompliance
2020-006	94	2019/2017	Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation	Material Weakness and Noncompliance
2020-007	97	2019/2017	Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data	Material Weakness
2020-008	100	New	Inadequate Access Review Procedures for the Integrated Eligibility System (IES)	Material Weakness
2020-009	102	2019/2019	Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)	Material Weakness
2020-010	104	2019/2019	Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES	Material Weakness
2020-011	106	2019/2018	Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreement	Material Weakness and Noncompliance
2020-012	109	2019/2018	Inadequate General Information Technology Controls over IMPACT	Material Weakness
2020-013	112	New	Lack of Census Data Reconciliation	Significant Deficiency

Item No.	Page	Last/First Report	Description
			Prior Findings Not Repeated
A.	114	2019	Weaknesses in Preparation of Year-End Department Financial Statements
B.	114	2019/2017	Failure to Deposit Federal Funds According to Statute
C.	114	2019/2017	Lack of Security Controls over the Integrated Eligibility System (IES)

Summary of Findings (Continued)

Exit Conference

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 21, 2021.

Attending were:

Department of Human Services:

Grace Hou	Secretary
Corey-Anne Gulkewicz	Senior Policy Advisor
John Schomberg	General Counsel
Dulce Quintero	Assistant Secretary (Operations)
Amy Macklin	Chief Internal Auditor
Robert Brock	Chief Financial Officer
Connie Sabo	Fiscal Services Director
Albert Okwuegbunam	Audit Liaison
Christopher Finley	Audit Liaison
Rahnee Patrick	Division of Rehabilitation Services Director
Tim Verry	Office of Family Community Services Director
Barrett Sheeley	Social Services Program Planner
Kim Ledesma	Social Services Program Planner
Kory Chapman	Chief Information Security Officer
David Albert	Director of Mental Health

Office of the Auditor General:

Janis Van Durme	Audit Senior Manager
Kathy Lovejoy	Audit Senior Manager
Joe Gudgel	Audit Senior Manager

RSM US LLP:

Linda Abernethy	Partner
Ryan Caldwell	Senior Manager
Jacob Bender	Supervisor
Dan Harker	Manager
Chad McCoy	Senior

The Department's responses to the recommendations were provided by Amy Macklin, Chief Internal Auditor, in correspondence dated May 25, 2021.

The Department of Healthcare and Family Services' responses to Recommendations 2020-005 through 2020-012 were provided by Jamie Nardulli, Chief Internal Auditor, in correspondence dated May 24, 2021.

The Department of Children and Family Services' response to Recommendation 2020-012 was provided by Joe McDonald, Associate Deputy Director, Fiscal Accounting, in correspondence dated June 1, 2021.

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Human Services (Department), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Department restated fund balance for the General Fund ($70.8 million increase) and the Other Non-major Special Revenue Funds ($70.8 million decrease) to correct errors in accounting for grants.

As discussed in Note 2 to the financial statements, the financial statements of the Department are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2020, and the respective changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison information for the General Fund, and pension and other postemployment benefit (OPEB) related information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements.

The accompanying supplementary information, which consists of combining statements and schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Listing of Agency Officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and Department management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 9, 2021

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2020 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	$ 541,858	$ 213	$ 542,071	$ -	$ 542,071
Cash deposited with State Treasurer	118,026	214,589	332,615	-	332,615
Cash and cash equivalents	200	7,583	7,783	-	7,783
Securities lending collateral equity with State Treasurer	31,476	15,413	46,889	-	46,889
Investments	-	535	535	-	535
Due from other government - federal	110,136	230,691	340,827	-	340,827
Due from other government - local	-	234	234	-	234
Taxes receivable, net	-	12	12	-	12
Loans and notes receivable, net	-	426	426	-	426
Due from other Department funds	76,996	22,833	99,829	(99,829)	-
Due from other State funds	65,593	16,823	82,416	-	82,416
Due from State of Illinois component units	-	2	2	-	2
Inventories	4,954	2,776	7,730	-	7,730
Prepaid expenses	-	-	-	210	210
Recipient services and other receivables, net	5,528	141,654	147,182	-	147,182
Capital assets not being depreciated	-	-	-	15,987	15,987
Capital assets being depreciated, net	-	-	-	269,534	269,534
Total assets	954,767	653,784	1,608,551	185,902	1,794,453
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	-	-	-	1,931,145	1,931,145
Deferred outflows of resources - SERS pensions	-	-	-	930,062	930,062
Deferred outflows of resources - TRS pensions	-	-	-	355	355
Total deferred outflows of resources	-	-	-	2,861,562	2,861,562
Total assets and deferred outflows of resources	$ 954,767	$ 653,784	$ 1,608,551		
LIABILITIES					
Accounts payable and accrued liabilities	$ 350,344	$ 187,836	$ 538,180	-	538,180
Due to other government - federal	2,826	58,653	61,479	-	61,479
Due to other government - local	13,873	12,631	26,504	-	26,504
Due to other Department fiduciary funds	6	-	6	-	6
Due to other State fiduciary funds	-	3,256	3,256	-	3,256
Due to other Department funds	22,833	76,996	99,829	(99,829)	-
Due to other State funds	188,552	7,231	195,783	-	195,783
Due to State of Illinois component units	3,601	5,726	9,327	-	9,327
Unearned revenue	-	9,906	9,906	-	9,906
Obligations under securities lending of State Treasurer	31,476	15,413	46,889	-	46,889
Long-term obligations:					
Due within one year	-	-	-	6,484	6,484
Due subsequent to one year	-	-	-	13,899,887	13,899,887
Total liabilities	613,511	377,648	991,159	13,806,542	14,797,701
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	26,314	147,335	173,649	(173,649)	-
Deferred inflows of resources - OPEB	-	-	-	614,024	614,024
Deferred inflows of resources - SERS pensions	-	-	-	295,704	295,704
Deferred inflows of resources - TRS pensions	-	-	-	1,172	1,172
Total deferred inflows of resources	26,314	147,335	173,649	737,251	910,900
FUND BALANCES/NET POSITION					
Fund Balances (Deficit):					
Nonspendable	4,954	3,881	8,835	(8,835)	-
Restricted	41,000	22,683	63,683	(63,683)	-
Committed	75,584	162,475	238,059	(238,059)	-
Unassigned	193,404	(60,238)	133,166	(133,166)	-
Net Position (Deficit):					
Net investment in capital assets	-	-	-	284,632	284,632
Restricted for:					
Community developmental disabilities programs	-	-	-	29,860	29,860
Supplemental nutrition assistance program	-	-	-	12,701	12,701
Temporary assistance to needy families	-	-	-	11,680	11,680
Aid to the aged, blind and disabled	-	-	-	34,879	34,879
Vocational rehabilitation	-	-	-	17,389	17,389
Home services	-	-	-	9,923	9,923
Other health and social service programs	-	-	-	31,605	31,605
Restricted-funds held as permanent investments:					
Nonexpendable purposes	-	-	-	1,105	1,105
Expendable purposes	-	-	-	232	232
Unrestricted net position (deficit)	-	-	-	(11,486,592)	(11,486,592)
Total fund balances/net position (deficit)	314,942	128,801	443,743	$ (11,496,329)	$ (11,052,586)
Total liabilities, deferred inflows and fund balances	$ 954,767	$ 653,784	$ 1,608,551		

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2020
(Expressed in Thousands)

Total fund balances - governmental funds		$ 443,743
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		285,521
Prepaid expenses for governmental activities are current uses of financial resources in the governmental funds.		210
Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.		173,649
Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. These amounts consist of the following:		
Net pension liability - SERS	(7,000,337)	
Net pension liability - TRS	(738)	
Deferred outflows of resources - SERS pensions	930,062	
Deferred outflows of resources -TRS pensions	355	
Deferred inflows of resources - SERS pensions	(295,704)	
Deferred inflows of resources -TRS pensions	(1,172)	(6,367,534)
Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in governmental funds since they do not provide or use current financial resources. These amounts consist of the following:		
OPEB Liability	(6,837,669)	
Deferred outflows of resources - OPEB	1,931,145	
Deferred inflows of resources - OPEB	(614,024)	(5,520,548)
Other liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Capital lease obligations	(889)	
Compensated absences	(66,738)	(67,627)
Net position (deficit) of governmental activities		$ (11,052,586)

The accompanying notes are an integral part of the basic financial statements.

Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2020 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	$ 4,931,420	$ 4,821,575	$ 9,752,995	$ 827,045	$ 10,580,040
Debt service - principal	478	180	658	(658)	-
Debt service - interest	393	366	759	-	759
Capital outlays	1,612	767	2,379	(2,379)	-
Total expenditures/expenses	4,933,903	4,822,888	9,756,791	824,008	10,580,799
Program revenues:					
Charges for services:					
Licenses and fees	42	7,143	7,185	-	7,185
Other charges for services	100	41,073	41,173	16,004	57,177
Total charges for services	142	48,216	48,358	16,004	64,362
Operating grant revenue:					
Federal operating grants	696,654	4,647,626	5,344,280	41,790	5,386,070
Other operating grants	-	516	516	18	534
Total operating grant revenue	696,654	4,648,142	5,344,796	41,808	5,386,604
Total program revenues	696,796	4,696,358	5,393,154	57,812	5,450,966
Net program expense					(5,129,833)
General revenues and transfers:					
General revenues:					
Interest and investment income	2,291	667	2,958	-	2,958
Other taxes	-	460	460	-	460
Other revenues, net of refunds	(2,010)	6,886	4,876	-	4,876
Appropriations from State resources	4,941,791	14,093	4,955,884	-	4,955,884
Lapsed appropriations	(292,881)	(12,768)	(305,649)	-	(305,649)
Receipts collected and transmitted to State Treasury	(262,513)	(1,377)	(263,890)	-	(263,890)
Capital lease and installment purchase financing	337	27	364	(364)	-
Transfers:					
Net capital transfers and other adjustments	-	-	-	23,138	23,138
Amount of SAMS transfers-in	(21,925)		(21,925)	-	(21,925)
Amount of SAMS transfers-out	3,175	-	3,175	-	3,175
Transfers in	21,540	135,110	156,650	(108,711)	47,939
Transfers out	(108,741)	(19)	(108,760)	108,711	(49)
Total general revenues and transfers	4,281,064	143,079	4,424,143	22,774	4,446,917
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	43,957	16,549	60,506	(60,506)	-
Change in net position	-	-	-	(682,916)	(682,916)
Fund balance (deficit) /net position (deficit), July 1, 2019, as restated	270,347	112,252	382,599	(10,752,269)	(10,369,670)
Increase (decrease) for changes in inventories	638	-	638	(638)	-
Fund balance /net position (deficit), June 30, 2020	$ 314,942	$ 128,801	$ 443,743	$ (11,496,329)	$ (11,052,586)

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2020
(Expressed in Thousands)

Net change in fund balances	$ 60,506	
Change in inventories	638	$ 61,144
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital expenditures	2,379	
Depreciation	(38,609)	
Losses on disposals of capital assets	(2,670)	(38,900)
Transfers of capital assets from (to) other State agencies and other adjustments do not provide current financial resources and, therefore, are not reported in governmental funds.		23,138
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		658
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		57,812
Some capital additions were financed through capital leases. In governmental funds, capital leases are considered a source of financing, but in the Statement of Net Position the capital lease is reported as a liability.		(364)
Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following:		
Increase in net pension liability - SERS pensions	(269,729)	
Decrease in net pension liability - TRS pensions	279	
Change in deferred inflows	97,628	
Change in deferred outflows	(35,974)	(207,796)
Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following:		
Increase in OPEB liability	(828,887)	
Change in deferred inflows	174,872	
Change in deferred outflows	85,045	(568,970)
Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds.		(52)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Below are such activities.		
Decrease (increase) in compensated absences obligation		(9,586)
Change in net position (deficit) of governmental activities		$ (682,916)

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Statement of Fiduciary Net Position
June 30, 2020 (Expressed in Thousands)

	Private-Purpose Trust Hansen-Therkelsen Memorial Deaf Student College 0123	Agency Funds
ASSETS		
Cash and cash equivalents	$ 1,102	$ 3,899
Investments	-	850
Due from other government - federal	-	34
Other receivables, net	-	10
Loans and notes receivable	37	-
Due from other Department funds	-	6
Total assets	1,139	$ 4,799
LIABILITIES		
Accounts payable and accrued liabilities	-	$ 20
Other liabilities	-	4,779
Total liabilities	-	$ 4,799
NET POSITION		
Held in trust and other purposes	$ 1,139	

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Private-Purpose Trust
	Hansen-Therkelsen Memorial Deaf Student College 0123
Additions:	
Investment income	$ 18
Total additions	18
Deductions:	
Health and social services	-
Total deductions	-
Net additions	18
Net position, July 1, 2019	1,121
Net position, June 30, 2020	$ 1,139

The accompanying notes are an integral part of the basic financial statements.

NOTE (1) - Organization

The Department of Human Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of, and review by, the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the Office of Comptroller) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, excluding all locally-held funds authorized by State law.

The Department is organized to assist Illinois residents to achieve self-sufficiency, independence and health to the maximum extent possible by providing integrated family-oriented services, providing preventive care programs and establishing measurable outcomes in partnership with communities.

NOTE (2) - Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

The Department is not legally separate from the State of Illinois. The financial statements of the Department are included in the financial statements of the State of Illinois. The State's Comprehensive Annual Financial Report may be obtained by accessing the Office of Comptroller's website:
https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report-cafr.

The Department does not currently report any component units.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Human Services, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2020 and the changes in financial position for the year then ended in conformity with GAAP.

The financial activities of the Department, which consist primarily of governmental activities, are reported under the health and social services function in the State's Comprehensive Annual Financial Report. For reporting purposes, the Department has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Department's government-wide and fund financial statements is as follows:

***Government-wide Statements*:** The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The government-wide statement of net position and statement of activities of the Department consist only of governmental activities, which are primarily supported by appropriations from the State and Federal operating grant revenues.

The statement of net position presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Department's governmental activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due subsequent to one year.

The statement of activities presents a comparison between direct expenses and program revenues for the health and social services function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and all amounts related to State appropriations, are presented as general revenues.

***Fund Financial Statements*:** The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on the major governmental fund, which is displayed in a separate column. Major funds are determined by the State Comptroller. All remaining governmental funds are aggregated and reported as non-major funds.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds) of the State of Illinois' Comprehensive Annual Financial Report – see note 2(d).

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include, among others, health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Department's portion of the General Fund is composed of a primary sub-account (General Revenue) and ten secondary sub-accounts (Illinois Veterans' Rehabilitation, Special Olympics Illinois and Special Children's Charities, Home Services Medicaid Trust, Community Developmental Disabilities Services Medicaid Trust, CMS vs AFSCME Wages Trust, Care Provider Fund for Persons with a Developmental Disability, Health and Human Services Medicaid Trust, Commitment to Human Services, Budget Stabilization, and Community Mental Health Medicaid Trust).

Additionally, the Department reports the following fund types:

***Governmental Fund Types*:**

Special Revenue – These funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditure for specified purposes* other than debt service or capital projects. The Department does not have any major special revenue funds to disclose.

Permanent – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

***Fiduciary Fund Types*:**

Private Purpose – These funds account for resources legally held in trust for use by individuals the Department serves. All resources of these funds, including any earnings on invested resources, may be used to support these individuals.

Agency – These funds account for receipts from individuals or groups of individuals at the Department's mental health and developmental centers, and schools, as well as electronic benefit transfers. These funds are collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

(c) Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues, as defined above, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on debt, claims and judgments, other post-employment benefits (OPEB), pension benefits and compensated absences are recorded only when payment is due. Capital asset acquisitions and principal retirements are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include intergovernmental grants, charges for services, and interest. All other revenue sources including fines, licenses and fees and other revenues are considered to be measurable only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue, CMS vs AFSCME Wages Trust, Care Provider Fund for Persons with a Developmental Disability, Commitment to Human Services, and Budget Stabilization subaccounts of the General Fund, and the Tobacco Settlement Recovery and Maternal and Child Health Services Block Grant, non-major governmental funds, represents only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report. In presenting these financial statements, certain unique accounts are used for the presentation of shared funds.

The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended appropriations **–** This "asset" account represents lapse period expenditure transactions processed by the State Comptroller's Office after June 30 annually in accordance with Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year and voucher, interfund payment, and mandatory SAMS transfer transactions held by the State Comptroller's Office at June 30.

Appropriations from State resources **–** This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Lapsed appropriations – Lapsed appropriations are the legally adopted appropriations (less net warrants issued) for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For fiscal year 2020, the lapse period was extended through September.

Receipts collected and transmitted to State Treasury – This "other financing use" account represents all cash receipts received during the fiscal year according to SAMS records.

Amount of SAMS transfers-in – This "other financing use" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

Amount of SAMS transfers-out – This "other financing source" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

(e) Eliminations

Eliminations have been made in the adjustments column in the government-wide statement of net position and statement of activities to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department, and to eliminate transfers between funds of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position.

Similarly, amounts reported in the governmental funds statement of revenues, expenditures and changes in fund balance as transfers in and transfers out have been eliminated in the adjustments column in the government-wide statement of activities.

Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 3 months or less at the time of purchase. Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, cash invested in the Illinois Funds and money market accounts for locally held funds.

(g) Investments

Most investments are reported at fair value. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments at amortized cost. Investments in Illinois Funds are valued at share price, which is the price the investment could be sold for.

(h) Inventories

For governmental funds, the Department recognizes the costs of inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories, consisting primarily of food and drugs maintained at the mental health and developmental centers, in governmental funds and are reported at weighted average cost. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Department reports an equivalent portion of fund balance as non-spendable.

(i) Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as expenditures in the governmental funds and as prepaid expenses in the government-wide statement of net position.

(j) Interfund Transactions

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Interfund Borrowings – Interfund loans made in accordance with State statute that are to be repaid with interest to the lender fund. Interfund borrowings are reported as “due to other funds” in lender funds and “due from other funds” in borrower funds.

Services Provided and Used – Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide statement of net position.

Designated Revenues – Revenues specifically restricted or committed by State statute initially received by another fund and subsequently distributed to a special revenue fund. Designated revenues are reported as revenues in the receiving special revenue fund and a reduction of revenues in the fund of initial deposit.

***Reimbursements* –** Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

***Transfers* –** Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other uses of financial resources in the funds making transfers and as other sources of financial resources in the funds receiving transfers.

The Department also has activity with various component units of the State of Illinois for professional services received and payments for State and Federal programs.

(k) Capital Assets

Capital assets, which include property, plant, equipment, and intangibles are reported at cost or estimated historical cost. Capital assets transferred from other State agencies are recorded at their carryover basis. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method.

Capitalization thresholds (amounts expressed in whole dollars) and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	$ 100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3 - 50
Buildings	100,000	10 - 60
Building Improvements	25,000	10 - 45
Equipment	5,000	3 - 25
Purchased Computer Software	25,000	3 - 5
Internally Generated Computer Software	1,000,000	5 - 20

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues in governmental funds include receivables not “available” to finance the current period.

(m) Compensated Absences

The liability for compensated absences reported in the government-wide statement of net position consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability is calculated based on the employees’ salary at June 30 and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees’ Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

(n) Pensions

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans’ fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual amortization of pension related deferred outflows and inflows of resources.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department’s contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

In the governmental fund financial statements, pension expenditures represent amounts paid to the pension plan and the change between the beginning and ending balances of amounts owed to the plan for contributions.

(o) Post-Employment Benefits Other Than Pensions ("OPEB")

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period (see Note 10). The liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements. In the governmental fund financial statements, OPEB expenditures represent amounts paid for OPEB as they become due and payable.

(p) Fund Balances

For the year ended June 30, 2020, components of fund balance include the following captions:

Nonspendable – Fund balance component resulting from portions of net resources that cannot be spent because of their form or because they must be legally or contractually maintained intact.

Restricted – Fund balance component resulting from enforceable external limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments as well as limitations imposed by law through constitutional provision or enabling legislation.

Committed – Fund balance component resulting from self-imposed limitations set in place prior to the end of the reporting period. The limitations are imposed at the highest level of decision-making authority that requires formal action at the same level to remove. For the Department, the State Legislature is the highest level of decision-making. In order to commit fund balance for a specific purpose, the State Legislature must enact a law specifying the commitment.

Unassigned – Total fund balance in the General Fund in excess of non-spendable, restricted, and committed fund balance, and deficit residual fund balances in other governmental funds.

If there is an expenditure incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available, the Department considers restricted fund balance to be spent before unrestricted fund balance. In addition, if there is an expenditure incurred for which committed, assigned or unassigned fund balance may be used, the Department considers committed fund balance to be spent before assigned fund balance and assigned fund balance to be spent before unassigned fund balance.

(q) Net Position (Deficit)

Net position (deficit) represents the difference of assets plus deferred outflows and liabilities plus deferred inflows of resources. In the government-wide statement of net position, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation/amortization, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Department's restricted net position is restricted by outside parties or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Department's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position (deficit) that does not meet the definition of "restricted" or "net investment in capital assets".

(r) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Recent and Future Accounting Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020 and provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective was accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

Statement No. 84, *Fiduciary Activities*
Statement No. 89, A*ccounting for Interest Cost Incurred before the End of a Construction Period*
Statement No. 90, *Majority Equity Interests*
Statement No. 91, *Conduit Debt Obligations*
Statement No. 92, *Omnibus 2020*
Statement No. 93, *Replacement of Interbank Offered Rates*
Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
Implementation Guide No. 2019-2, *Fiduciary Activities.*

The effective dates of the following pronouncements were postponed by 18 months:

Statement No. 87, *Leases*
Implementation Guide No. 2019-3, *Leases*

Effective dates noted in the remainder of this section reflect the postponed dates contained in Statement 95.

Effective for the year ending June 30, 2020, the Department adopted the following GASB statement:

Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, which is intended to (1) increase consistency and comparability related to the reporting of fiduciary component units when a potential component unit does not have a governing board and the primary government performs those duties; (2) mitigate costs associated with reporting; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The topics within this Statement that were not effective for the Department's fiscal year ended June 30, 2020 are effective for the Department's fiscal year ended June 30, 2022. The adoption of this standard had no impact on the Department's financial statements.

Effective for the year ending June 30, 2021, the Department will adopt the following GASB statements:

Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployments benefit arrangements that are fiduciary activities.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 93, *Replacement of Interbank Offered Rates*, the primary provision of which is intended to address accounting and financial reporting implications that result from the replacement of an interbank offered rate as an appropriate benchmark interest rate.

Effective for the year ending June 30, 2022, the Department will adopt the following GASB statements:

Statement No. 87, Leases, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Statement No. 92, *Omnibus 2020*, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, the applicability of Statement No. 73 and Statement No. 74 to reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, measurement of liabilities and assets related to asset retirement obligations in a government acquisition, and reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature. The topics within this Statement that were not effective for the Department's fiscal year ended June 30, 2020 were, upon the Department's adoption of GASB Statement No. 95, delayed for the Department until the fiscal year ended June 30, 2022.

Effective for the year ending June 30, 2023, the Department will adopt the following GASB statements:

Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, which is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

The Department has not yet determined the impact of adopting these statements on its financial statements, however the Statement on Leases is expected to be material to the financial statements.

NOTE (3) - Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. The Department manages deposits and investments maintained outside the State Treasury.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department is required by the State Officers and Employees Money Disposition Act (30 ILCS 230/2c) to obtain a bond, pledged securities, or other eligible collateral equal to or greater than the uninsured portion of the deposit. Deposits for locally-held funds had a carrying amount of $11.964 million ($7.187 million and $4.777 million reported in governmental activities and fiduciary funds, respectively).

The total bank balance was not exposed to custodial credit risk.

(b) Investments

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Department has the following recurring fair value measurements as of June 30, 2020, which are held outside of the State Treasury (amounts expressed in thousands):

Investments Measured at Fair Value

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**
	Total	(Level 1)	(Level 2)	(Level 3)
Governmental Activities				
U.S. Treasury Notes	$ 20	$ 20	$ -	$ -
U.S. Agency Obligations	20	20	-	-
Total Governmental Activities	$ 40	$ 40	$ -	$ -

The Department also has $2.104 million invested with The Illinois Funds ($1.058 million in Governmental Activities and $1.046 million in Fiduciary Funds). The Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures for financial reporting purposes all its investments at amortized cost. The fair value of the pool position is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from the pool.

The Department is authorized by Illinois State Statute to invest in the following:

1. Obligations of the U.S. Treasury, its agencies, and instrumentalities
2. Savings accounts, certificates of deposit, or time deposits that are direct obligations of any bank that is insured by the Federal Deposit Insurance Corporation
3. Commercial paper noted within the three highest classifications by at least two standard rating services

4. Obligations of states and their political subdivisions
5. Shares or other securities issued by savings and loan associations that are insured by the Federal Savings and Loan Insurance Corporation
6. Insured accounts of a credit union whose principal office is located in the State of Illinois
7. Illinois Funds Money Market Fund
8. Money market mutual funds where the portfolio is limited to U.S. government securities
9. Repurchase agreements where the Department or its authorized third-party agent takes possession of the securities

Interest Rate Risk – The Department's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department's investments in U.S. Treasury and Agency securities have maturities of less than one year ($30,000) and maturities of one to five years ($10,000).

Credit Risk – The Department's investment policy does not address credit risk. The U.S. Agency Obligations were rated Aaa by Moody's Investors Services or AA+ by Standard & Poor's ratings. The Illinois Funds was rated AAAm by Standard & Poor's.

Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position

The amounts reported as investments in the statement of net position and the statement of fiduciary net position contain certain long-term deposits to reflect their lack of liquidity. A reconciliation (amounts expressed in thousands) follows:

Governmental Activities	**Cash and Cash Equivalents/ Deposits**	**Investments**
Amounts per note 3 (a) and 3 (b)	$ 7,187	$ 1,098
Deposits held for investment purposes	(495)	495
Cash equivalents	1,058	(1,058)
Petty cash	33	-
Amounts per Statement of Net Position	$ 7,783	$ 535
Fiduciary Funds		
Amounts per note 3 (a) and 3 (b)	$ 4,777	$ 1,046
Deposits held for investment purposes	(850)	850
Cash equivalents	1,046	(1,046)
Petty cash	28	-
Amounts per Statement of Fiduciary Net Position	$ 5,001	$ 850

NOTE (4) - Other Receivables

Recipient services and other receivables, net at June 30, 2020 (amounts expressed in thousands) consisted of the following:

	Governmental Funds		
Revenue Source	**General Fund**	**Nonmajor Funds**	**Fiduciary Funds**
Fines	$ -	$ 26	$ -
Public assistance recoveries	10,308	1,689	-
Rebates	-	8,328	-
Recipient services and recoveries	8,678	399,208	10
Interest and other Income	76	36	-
Total other receivables	19,062	409,287	10
Allowance for uncollectible amounts	(13,534)	(267,633)	-
Other receivables, net	$ 5,528	$ 141,654	$ 10

NOTE (5) - Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2020, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2020 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2020 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2020, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer, pertaining to the funds of the Department, as of June 30, 2020 was approximately $47 million.

NOTE (6) - Interfund Balances and Activity

(a) Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2020 represent amounts due from other Department and State of Illinois funds:

Fund Type	Due from Other Department Funds	Due from Other State Funds	Description/Purpose
General	$ 76,996	$ 65,593	See comment that follows
Nonmajor governmental	22,833	16,823	See comment that follows
Fiduciary	6	-	See comment that follows
	$ 99,835	$ 82,416	

General - Due from other Department funds for child care program reimbursements, required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

Non-major governmental - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

Fiduciary - Due from other Department funds for post-employment benefits.

The following balances (amounts expressed in thousands) at June 30, 2020 represent amounts due to other Department and State of Illinois funds:

Fund Type	Due to Other Department Funds	Due to Other Department Fiduciary	Due to Other State Funds	Due to Other State Fiduciary	Description/Purpose
General	$ 22,833	$ 6	$ 188,552	$ -	See comment that follows.
Nonmajor governmental	76,996	-	7,231	3,256	See comment that follows.
	$ 99,829	$ 6	$ 195,783	$ 3,256	

General – Due to other Department funds and other Department fiduciary funds for expenditure reimbursements, and other State funds for expenditure reimbursements and excess federal grant deposits.

Non-major governmental – Due to other Department funds for child care program reimbursements, required transfers and expenditure reimbursements, other State funds for expenditure reimbursements and other State fiduciary funds for post-employment benefits.

(b) Transfers from/to Other Funds

Interfund transfers-in (amounts expressed in thousands) for the year ended June 30, 2020 were as follows:

	Transfers in from Other			
Fund Type	**Department Funds**	**State Funds**	**Total**	**Description/Purpose**
General	$ 19	$ 21,521	$ 21,540	Transfers from other Department funds and other State funds pursuant to statute and annual appropriations.
Nonmajor governmental	108,692	26,418	135,110	Transfers from other Department funds and other State funds pursuant to statute and annual appropriations.
Totals	$ 108,711	$ 47,939	$ 156,650	

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2020 were as follows:

	Transfers out to Other			
Fund Type	**Department Funds**	**State Funds**	Total	**Description/Purpose**
General	$ 108,692	$ 49	$ 108,741	Transfers to other Department funds and State funds pursuant to statute.
Nonmajor governmental	19	-	19	Transfers to other Department funds pursuant to statute.
Totals	$ 108,711	$ 49	$ 108,760	

(c) Balances due from/to State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2020 represent amounts due to/from State of Illinois component units for reimbursement for expenses incurred:

	Due From Amounts	Due to Amounts	
Component Unit	Nonmajor Governmental Funds	General Fund	Nonmajor Governmental Funds
Toll Highway Authority	$ -	$ 6	$ -
Eastern Illinois University	-	125	196
Governors State University	-	-	134
Northeastern Illinois	-	2	78
Western Illinois University	-	3	136
Illinois State University	-	31	15
Northern Illinois University	-	36	20
Southern Illinois University	-	764	1,108
University of Illinois	2	2,634	4,039
Totals	$ 2	$ 3,601	$ 5,726

NOTE (7) - Capital Assets

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

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

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

Health and social services	$ 38,608

NOTE (8) - Long-term Obligations

(a) Changes in Long-term Obligations

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

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

Compensated absences will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Net pension liabilities and OPEB liabilities will be liquidated though the General Revenue Fund, and the special revenue funds that report wages. The capital lease obligations will be liquidated primarily by the General Revenue Fund.

(b) Capital Lease Obligations

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

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

(c) Asset Retirement Obligations

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

NOTE (9) -Defined Benefit Pension Plans

Plan descriptions. Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System ("SERS") or the Teachers' Retirement System ("TRS"), which are pension trust funds in the State of Illinois reporting entity. SERS is a single-employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts, and certain State agencies. There are 851 local school districts, 127 special districts, and 12 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2019. The State of Illinois, as a nonemployer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

Both plans consist of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and Tier 2 members, except where noted.

Both plans also issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports are available on the respective plan websites or may be obtained by writing or calling the plan as follows:

- State Employees' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-7444 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (877) 927-5877 or www.trsil.org.

<u>Benefit provisions</u>

State Employees' Retirement System
SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>A member must have a minimum of eight years of service credit and may retire at:

• Age 60, with 8 years of service credit.
• Any age, when the member’s age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service.
• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).

The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.

Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.

If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td><td>A member must have a minimum of 10 years of credited service and may retire at:

• Age 67, with 10 years of credited service.
• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).

The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. The calendar year 2019 amount is $114,952.

If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement.

If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td></tr>
</table>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of noncovered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers’ Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through SERS. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Teachers' Retirement System

TRS provides retirement benefits, whereby most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, or age 55 with 20 years of credited service. If a member retires between the ages of 55 and 60 with fewer than 35 years of service the annuity will be reduced one-half percent for each month the member is under age 60. The retirement benefit is based on the final average salary, which is the average salary for the highest 4 consecutive years within the last 10 years of credible service. Annual automatic increases equal to 3% are provided to essentially all retirees. Under Tier 2, a member qualifies for an age retirement annuity after reaching age 62 with 10 years of credited service, at a discounted rate, or age 67 with 10 years of credited service. The retirement benefit is based on the final average salary, which for Tier 2 is the average salary for the highest 8 consecutive years within the last 10 years of credible service. Annual automatic increases equal to the lesser of 3% or one half of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

Contributions

State Employees' Retirement System

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2020, this amount was $115,929.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2020, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2020, the employer contribution rate was 54.290%. The Department's contribution amount for fiscal year 2020 was $42,992 million. In addition, the Department recorded $431.598 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Department employees that were paid from statewide General Revenue Fund appropriations.

Teachers' Retirement System

The State maintains the primary responsibility for funding TRS. The Illinois Pension Code, as appended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to TRS for each fiscal year be an amount determined to be sufficient to bring the total assets of TRS up to 90% funding. Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The active member contribution rate for the year ended June 30, 2020 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total credible earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the Illinois Compiled Statutes.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2020, this amount was $115,929. The Department's contribution amount for fiscal year 2020 was $11 thousand. In addition, the Department recorded $2.934 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to TRS for Department employees that were paid from statewide General Revenue Fund appropriations.

Pension liability, deferred outflows of resources, deferred inflows of resources, and expense related to pensions.

State Employees' Retirement System

At June 30, 2020, the Department reported a liability of $7.0 billion for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2019 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the Department's proportion was 20.9628%, which was an increase of .6018 from its proportion measured as of the prior year measurement date of June 30, 2018.

For the year ended June 30, 2020, the Department recognized pension expense of $689.277 million. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 87,533
Changes of assumptions	195,117	101,055
Net difference between projected and actual investment earnings on pension plan investments	-	10,218
Changes in proportion	260,355	96,898
Department contributions subsequent to the measurement date	474,590	-
Total	$ 930,062	$ 295,704

$474.590 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ended June 30,	SERS
2021	$ 107,282
2022	(32,853)
2023	43,920
2024	41,419
Total	$ 159,768

Teachers' Retirement System

At June 30, 2020, the Department reported a liability of $738,285 for its proportionate share of the TRS net pension liability on the statement of net position. The State's proportionate share of the net pension liability (as a nonemployer contributing entity in a special funding situation) for the Department was $52.543 million. The total net pension liability for the Department's employees participating in TRS was $53.281 million as of the measurement date. The net pension liability was measured as of June 30, 2019 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Department's portion of the net pension liability was based on the Department' contributions relative to the contributions of all participating TRS employers and the State during the year ended June 30, 2019. At June 30, 2019, the measurement date, the Department's proportionate share was 0.000910% for the TRS plan, which was a .000395 decrease from its proportion measured at the prior year measurement date of June 30, 2018.

For the year ended June 30, 2020, the Department recognized pension expense of $5.270 million, which includes $5.705 million of State pension expense for Department employees. This amount is also included as revenue. At June 30, 2020, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12	$ -
Changes of assumptions	17	14
Net difference between projected and actual investment earnings on pension plan investments	1	-
Changes in proportion	314	1,158
Department contributions subsequent to the measurement date	11	-
Total	$ 355	$ 1,172

$11 thousand reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year Ended June 30,	TRS
2021	$ (191)
2022	(273)
2023	(218)
2024	(123)
2025	(23)
Total	$ (828)

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS
Valuation date	6/30/2019	6/30/2018*
Measurement date	6/30/2019	6/30/2019
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	6.75%	7.00%
Projected salary increases**	2.75% - 7.17%	4.00% - 9.50%
Inflation rate	2.25%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI^, on original benefit	1.25% not compounded
Retirement age experience study ^^	July 2015 - June 2018	July 2014 - June 2017
Mortality^^^		
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018	
TRS	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017	

Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:

	SERS
Investment rate of return	7.00%
Projected salary increases**	3.00% - 7.42%
Inflation rate	2.50%
Retirement age experience study ^^	July 2012 - June 2015
Mortality	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added

* The total pension liability is based on an actuarial valuation date of June 30, 2018, rolled-forward to the measurement date using generally accepted actuarial procedures.
** Includes inflation rate listed.
^ Consumer Price Index
^^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.
^^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

State Employees' Retirement System

The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2019, the best estimates of the geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.0%	4.80%
Developed Foreign Equity	13.0%	4.60%
Emerging Market Equity	8.0%	6.90%
Private Equity	7.0%	6.80%
Intermediate Investment Grade Bonds	14.0%	0.70%
Long-term Government Bonds	4.0%	1.00%
TIPS	4.0%	0.80%
High Yield and Bank Loans	5.0%	2.70%
Opportunistic Debt	8.0%	4.20%
Emerging Market Debt	2.0%	2.70%
Real Estate	10.0%	4.40%
Infrastructure	2.0%	4.10%
Total	**100%**	

Teachers' Retirement System
The long-term expected rate of return assumption on pension plan investments under the TRS plan was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities Large Cap	15%	6.30%
U.S. Equities Small/Mid Cap	2%	7.70%
International Equities Developed	14%	7.00%
Emerging Market Equities	3%	9.50%
U.S. Bonds Core	8%	2.20%
U.S. Bonds High Yield	4%	4.00%
International Debt Developed	2%	1.10%
Emerging International Debt	3%	4.40%
Real Estate	16%	5.20%
Real Return	4%	1.80%
Absolute Return	14%	4.10%
Private Equity	15%	9.70%
Total	100%	

Discount rate

State Employees' Retirement System
A discount rate of 6.47% was used to measure the total pension liability as of the measurement date of June 30, 2019, as compared to a discount rate of 6.81% used to measure the total liability as of the prior year measurement date (a decrease of 0.34). This single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.13%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, it has been determined that the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2073 for SERS. As a result, the long-term expected rate of return on pension plan investments has been applied to projected benefit payments through the year 2073, at which time the municipal bond rate has been applied to all remaining benefit payments.

Teachers' Retirement System
A discount rate of 7.00% was used to measure the total pension liability as of the measurement date of June 30, 2019 and 2018. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance all projected future benefit payments. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the net pension liability to changes in the discount rate. The net pension liability for SERS and TRS was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	SERS		
	1% Decrease 5.47%	Discount Rate 6.47%	1% Increase 7.47%
Department's proportionate share of the SERS net pension liability	$ 8,466,072	$ 7,000,337	$ 5,795,236

	TRS		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Department's proportionate share of the TRS net pension liability	$ 902	$ 738	$ 604

Payables to the pension plan. At June 30, 2020, the Department reported a payable of $1.4 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2020.

NOTE (10) - Post-employment Benefits

Plan description. The State Employees Group Insurance Act of 1971 (“Act”), as amended, authorizes the Illinois State Employees Group Insurance Program (“SEGIP”) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department’s full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (“GARS”), Judges Retirement System (“JRS”), State Employees’ Retirement System of Illinois (“SERS”), Teachers’ Retirement System (“TRS”), and State Universities Retirement System of Illinois (“SURS”) are eligible for these other post-employment benefits (“OPEB”). The eligibility provisions for each of the retirement systems are defined within Note 9. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State’s and the university component units’ employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,681.04 ($6,703.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,959.44 ($5,592.24 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The total OPEB liability, as reported at June 30, 2020, was measured as of June 30, 2019, with an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date. At June 30, 2020, the Department recorded a liability of $6.838 billion for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the Department's proportion was 15.5794%, which was an increase of 0.5924 from its proportion measured as of the prior year measurement date of June 30, 2018.

The Department recognized OPEB expense for the year ended June 30, 2020, of $754.378 million. At June 30, 2020, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

Deferred outflows of resources	
Differences between expected and actual experience	$ 9,816
Changes in assumptions	237,723
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,507,509
Department contributions subsequent to the measurement date	176,097
Total deferred outflows of resources	$ 1,931,145
Deferred inflows of resources	
Differences between expected and actual experience	$ 104,308
Changes in assumptions	421,939
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,777
Total deferred inflows of resources	$ 614,024

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2021	$ 316,569
2022	316,569
2023	345,124
2024	146,631
2025	16,131
Total	$ 1,141,024

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on SERS and TRS active, inactive, and retiree data as of June 30, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.00% grading down 0.500% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2018 valuations for SERS and TRS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2012 - June 2015	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.62% at June 30, 2018, and 3.13% at June 30, 2019, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.13%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.13%) or lower (2.13%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
Department's proportionate share of total OPEB liability	$ 8,053,153	$ 6,837,669	$ 5,865,399

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027, for non-Medicare coverage, and 9.00% decreasing to an ultimate trend rate of 4.50% in 2029 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Department's proportionate share of total OPEB liability	$ 5,733,411	$ 6,837,669	$ 8,267,855

NOTE (11) - Fund Balances

(a) Categories

At June 30, 2020, the Department's governmental fund balances were classified as follows (amounts expressed in thousands):

	General Fund	Other Nonmajor Funds	Total
Nonspendable:			
Inventory	$ 4,954	$ 2,776	$ 7,730
Permanent endowments	-	1,105	1,105
Total nonspendable	4,954	3,881	8,835
Restricted Purposes:			
Community developmental disabilities programs	29,860	-	29,860
Child care programs	-	-	-
Home services program	9,923	-	9,923
Vocational rehabilitation programs	-	17,302	17,302
Other programs	1,217	5,381	6,598
Total restricted	41,000	22,683	63,683
Committed Purposes:			
Veteran's rehabilitation	10,493	-	10,493
Child care programs	-	86,518	86,518
Medical assistance programs	26,549	34,738	61,287
Mental health programs	38,542	23,684	62,226
Information technology initiatives	-	8,758	8,758
Other programs	-	8,777	8,777
Total committed	75,584	162,475	238,059
Unassigned	193,404	(60,238)	133,166
Total fund balance	$ 314,942	$ 128,801	$ 443,743

(b) Fund Deficits

The CMS vs AFSCME Wages Trust Fund and Care Provider Fund for Persons with a Developmental Disability, subaccounts of the General Fund, had fund deficits of $140 and $275, respectively (expressed in thousands), at June 30, 2020. The Prevention and Treatment of Alcoholism and Substance Abuse Block Grant Fund, DHS Federal Projects Fund, Alcoholism and Substance Abuse, USDA Women, Infants and Children, and DHS Recoveries Trust Fund, non-major governmental funds, had fund deficits (expressed in thousands) of $5,349, $2,655, $7,534, $74, and $44,626, respectively, at June 30, 2020.

NOTE (12) - Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; aviation liability; auto liability; workers' compensation; and natural disasters. The State retains the risk of loss (i.e. self-insured) for these risks. The Department's risk management activities for employee health claims, workers' compensation claims and auto liability claims are financed through appropriations to the Illinois Department of Central Management Services (CMS). Other claims costs could be charged back to the Department upon settlement; however, the Department is not able to estimate those amounts and does not expect them to be material.

The Department's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department, and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2020.

NOTE (13) - Commitments and Contingencies

(a) Federal Funding

Backlog of Applications in Integrated Eligibility System (IES)

The State of Illinois implemented an Integrated Eligibility System ("IES") for the intake and processing of applications in order to determine eligibility for various health and human services programs (i.e., Medicaid, SNAP, TANF) effective October 2013. Upon the implementation of IES, the State has experienced delays in processing applications due to an increase in the number of applications for the expanded Medicaid programs and open enrollment periods, insufficient caseworker resources and other factors. These delays resulted in applications not being reviewed and approved or denied within the mandated timeframe. As of June 30, 2020, the Department had approximately 6,431 unprocessed initial applications and 2,026 unprocessed redeterminations for SNAP/TANF in IES. Department management determined estimated amounts owed to applicants are not material to the financial statements.

SNAP Overpayment Claims

The Department has significant delays in investigating and resolving overpayment claims for the Supplemental Nutrition Assistance Program (SNAP). Department management cannot establish a claim against a SNAP recipient until their investigation is complete. When resolution of these claims is complete, the Department estimates it will record net receivables from beneficiaries under the program of approximately $246 million, for benefits established on or before June 30, 2020.

Additionally, it is estimated that $196 million will be recorded as a liability to the Federal government for their share of overpayment collections. The rate used to calculate this amount came from the USDA Food and Nutrition Service website. The Department used the FY17 SNAP quality control error rate which is the most recent figure published by the USDA.

Federal Program Audits

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants and subject to repayment by the Department. Generally, no provision for repayment is recorded until the federal grantor agency has determined a repayment is necessary. The Department in not aware of any material unrecorded liabilities pertaining to questioned costs. Identified questioned costs are frequently reported in the State of Illinois Single Audit Report. A copy of the report may be obtained by accessing the Illinois Office of the Auditor General's website, http://www.auditor.illinois.gov/Audit-Reports/Statewide-Single-Audit.asp.

(b) Litigation

The Department is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Department.

Note (14) Covid-19 Considerations

On March 11, 2020, the World Health Organization declared the Coronavirus outbreak a pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Department operates. These financial statements include some adjustments related to the impact of COVID-19 (Coronavirus) on programs and benefits the Department administers. Uncertainty remains as to any future potential reimbursement of costs incurred due to the pandemic, how long the current situation will last and the ongoing impact to program costs and benefits.

Note (15) Restatement

The Department has recorded a restatement of beginning fund balance in the General Fund and Other Non-major Funds to correct an error in accounting for grants. The error is a result of federal reimbursement-type grant revenue amounts pertaining to General Fund (Fund 0001) expenditures, being recorded in the DHS Special Purposes Trust Fund (Fund 0408) during fiscal year 2019. The impact of the restatement is as follows (amounts expressed in thousands):

	General Fund	Other Non-major Funds
Fund balance July 1, 2019:		
As previously reported	$ 199,521	$ 183,078
Adjustment for grant revenues	70,826	(70,826)
As restated	$ 270,347	$ 112,252

The excess (deficiency) of revenues and transfers-in over expenditures and transfers-out, reported in the fiscal year 2019 financial statements, was understated (overstated) by $ 70.826 million in the General Fund and Other Non-major Funds, respectively.

The restatement had no impact on the governmental activities financial statements.

Note (16) Subsequent Events

In November 2020, a file handling error in the State of Illinois Integrated Eligibility System ("IES") resulted in notifications being mailed to incorrect addresses. The notifications may have included personally identifiable information. The State has notified the impacted individuals. The full impact of this event continues to be evaluated but is unknown at this time.

State of Illinois
Department of Human Services
Combining Schedule of Accounts - General Fund
June 30, 2020 (Expressed in Thousands)

	General Revenue 0001	Illinois Veterans' Rehabilitation 0036	Special Olympics Illinois and Special Children's Charities 0073	Home Services Medicaid Trust 0120	Community Developmental Disabilities Services Medicaid Trust 0142	CMS vs AFSCME Wages Trust 0168	Care Provider Fund for Persons with a Developmental Disability 0344
ASSETS							
Unexpended appropriations	$ 541,697	$ -	$ -	$ -	$ -	$ -	$ 161
Cash deposited with State Treasurer	693	949	1,140	25,754	31,805	-	-
Cash and cash equivalents	200	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	325	5,827	7,811	-	-
Due from other government - federal	103,715	-	-	-	-	-	-
Recipient services and other receivables, net	4,883	21	1	15	19	-	-
Due from other Department funds	76,987	9,526	-	32	-	-	-
Due from other State funds	60,517	-	76	-	-	-	-
Inventories	4,954	-	-	-	-	-	-
Total assets	$ 793,646	$ 10,496	$ 1,542	$ 31,628	$ 39,635	$ -	$ 161
LIABILITIES							
Accounts payable and accrued liabilities	$ 329,171	$ 3	$ -	$ 15,823	$ 1,964	$ -	$ 436
Due to other government - federal	2,823	-	-	-	-	-	-
Due to other government - local	13,694	-	-	35	-	-	-
Due to other Department fiduciary funds	6	-	-	-	-	-	-
Due to other Department funds	32,248	-	-	-	-	140	-
Due to other State funds	188,519	-	-	3	-	-	-
Due to State of Illinois component units	3,584	-	-	17	-	-	-
Obligations under securities lending of State Treasurer	-	-	325	5,827	7,811	-	-
Total liabilities	570,045	3	325	21,705	9,775	140	436
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	24,828	-	-	-	-	-	-
Total Deferred Inflows of Resources	24,828	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	4,954	-	-	-	-	-	-
Restricted	-	-	1,217	9,923	29,860	-	-
Committed	-	10,493	-	-	-	-	-
Unassigned	193,819	-	-	-	-	(140)	(275)
Total fund balances (deficits)	198,773	10,493	1,217	9,923	29,860	(140)	(275)
Total liabilities, deferred inflows and fund balances (deficits)	$ 793,646	$ 10,496	$ 1,542	$ 31,628	$ 39,635	$ -	$ 161

(Continued)

State of Illinois
Department of Human Services

Combining Schedule of Accounts - General Fund

June 30, 2020 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718	Eliminations	Total
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ 541,858
Cash deposited with State Treasurer	25,366	9	-	32,310	-	118,026
Cash and cash equivalents	-	-	-	-	-	200
Securities lending collateral equity with State Treasurer	7,640	-	-	9,873	-	31,476
Due from other government - federal	749	-	-	5,672	-	110,136
Recipient services and other receivables, net	111	454	-	24	-	5,528
Due from other Department funds	-	-	-	6	(9,555)	76,996
Due from other State funds	-	-	-	5,000	-	65,593
Inventories	-	-	-	-	-	4,954
Total assets	$ 33,866	$ 463	$ -	$ 52,885	$ (9,555)	$ 954,767
LIABILITIES						
Accounts payable and accrued liabilities	$ 140	$ -	$ -	$ 2,807	$ -	$ 350,344
Due to other government - federal	-	-	-	3	-	2,826
Due to other government - local	-	-	-	144	-	13,873
Due to other Department fiduciary funds	-	-	-	-	-	6
Due to other Department funds	-	-	-	-	(9,555)	22,833
Due to other State funds	-	-	-	30	-	188,552
Due to State of Illinois component units	-	-	-	-	-	3,601
Obligations under securities lending of State Treasurer	7,640	-	-	9,873	-	31,476
Total liabilities	7,780	-	-	12,857	(9,555)	613,511
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	1,486	-	26,314
Total Deferred Inflows of Resources	-	-	-	1,486	-	26,314
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	4,954
Restricted	-	-	-	-	-	41,000
Committed	26,086	463	-	38,542	-	75,584
Unassigned	-	-	-	-	-	193,404
Total fund balances (deficits)	26,086	463	-	38,542	-	314,942
Total liabilities, deferred inflows and fund balances (deficits)	$ 33,866	$ 463	$ -	$ 52,885	$ (9,555)	$ 954,767

State of Illinois
Department of Human Services
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2020 (Expressed in Thousands)

	General Revenue 0001	Illinois Veterans' Rehabilitation 0036	Special Olympics Illinois and Special Children's Charities 0073	Home Services Medicaid Trust 0120	Community Developmental Disabilities Services Medicaid Trust 0142	CMS vs AFSCME Wages Trust 0168	Care Provider Fund for Persons with a Developmental Disability 0344
REVENUES							
Federal operating grants, net of refunds	$ 328,844	$ -	$ -	$ 234,000	$ 77,582	$ -	$ -
Licenses and fees, net of refunds	42	-	-	-	-	-	-
Interest and investment income	-	-	5	918	453	-	-
Other charges for services, net of refunds	100	-	-	-	-	-	-
Other revenues, net of refunds	(2,010)	-	-	-	-	-	-
Total revenues	326,976	-	5	234,918	78,035	-	-
EXPENDITURES							
Health and social services	4,492,033	2,429	1,000	233,142	84,871	-	36,675
Debt service - principal	457	-	-	21	-	-	-
Debt service - interest	372	-	-	21	-	-	-
Capital outlays	1,612	-	-	-	-	-	-
Total expenditures	4,494,474	2,429	1,000	233,184	84,871	-	36,675
Excess (deficiency) of revenues over (under) expenditures	(4,167,498)	(2,429)	(995)	1,734	(6,836)	-	(36,675)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	4,896,791	-	-	-	-	-	45,000
Lapsed appropriations	(284,792)	-	-	-	-	-	(8,089)
Receipts collected and transmitted to State Treasury	(261,577)	-	-	-	-	-	-
Amount of SAMS transfers-in	(21,925)	-	-	-	-	-	-
Amount of SAMS transfers-out	3,175	-	-	-	-	-	-
Transfers-in	19	4,366	1,521	-	-	-	-
Transfers-out	(113,107)	-	-	-	-	-	-
Capital lease and installment purchase financing	337	-	-	-	-	-	-
Net other sources (uses) of financial resources	4,218,921	4,366	1,521	-	-	-	36,911
Net change in fund balances	51,423	1,937	526	1,734	(6,836)	-	236
Fund balances (deficits), July 1, 2019, as restated	146,712	8,556	691	8,189	36,696	(140)	(511)
Increase (decrease) for change in inventories	638	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2020	$ 198,773	$ 10,493	$ 1,217	$ 9,923	$ 29,860	$ (140)	$ (275)

(Continued)

State of Illinois
Department of Human Services
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718	Eliminations	Total
REVENUES						
Federal operating grants, net of refunds	$ 12,431	$ -	$ -	$ 43,797	$ -	$ 696,654
Licenses and fees, net of refunds	-	-	-	-	-	42
Interest and investment income	246	-	-	669	-	2,291
Other charges for services, net of refunds	-	-	-	-	-	100
Other revenues, net of refunds	-	-	-	-	-	(2,010)
Total revenues	12,677	-	-	44,466	-	697,077
EXPENDITURES						
Health and social services	25,396	(387)	(1)	56,262	-	4,931,420
Debt service - principal	-	-	-	-	-	478
Debt service - interest	-	-	-	-	-	393
Capital outlays	-	-	-	-	-	1,612
Total expenditures	25,396	(387)	(1)	56,262	-	4,933,903
Excess (deficiency) of revenues over (under) expenditures	(12,719)	387	1	(11,796)	-	(4,236,826)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	4,941,791
Lapsed appropriations	-	-	-	-	-	(292,881)
Receipts collected and transmitted to State Treasury	-	(935)	(1)	-	-	(262,513)
Amount of SAMS transfers-in		-	-	-	-	(21,925)
Amount of SAMS transfers-out	-	-	-	-	-	3,175
Transfers-in	20,000	-	-	-	(4,366)	21,540
Transfers-out	-	-	-	-	4,366	(108,741)
Capital lease and installment purchase financing	-	-	-	-	-	337
Net other sources (uses) of financial resources	20,000	(935)	(1)	-	-	4,280,783
Net change in fund balances	7,281	(548)	-	(11,796)	-	43,957
Fund balances (deficits), July 1, 2019, as restated	18,805	1,011	-	50,338	-	270,347
Increase (decrease) for change in inventories	-	-	-	-	-	638
FUND BALANCES (DEFICITS), June 30, 2020	$ 26,086	$ 463	$ -	$ 38,542	$ -	$ 314,942

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013	Group Home Loan Revolving 0025	Mental Health 0050	Vocational Rehabilitation 0081	Assistance to the Homeless 0100	Youth Alcoholism and Substance Abuse Prevention 0128
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	262	222	15,623	17,324	1,161	207
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	69	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	11,961	-	2,142	11,120	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	8	-	-	-
Other receivables, net	99	-	1,393	9	-	-
Loans and notes receivable, net	-	23	-	-	-	-
Due from other Department funds	-	-	11	65	-	-
Due from other State funds	-	-	3,453	-	8	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	2,776	-	-	-
Total assets	$ 12,322	$ 314	$ 25,406	$ 28,518	$ 1,169	$ 207
LIABILITIES						
Accounts payable and accrued liabilities	$ 9,829	$ 6	$ 6,263	$ 6,636	$ 153	$ -
Due to other government - federal	8	-	11	116	-	-
Due to other government - local	944	-	-	1,366	41	34
Due to other State fiduciary funds	68	-	104	1,208	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	51	-	6	1,443	-	-
Due to State of Illinois component units	1,422	-	75	365	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	69	-	-	-	-
Total liabilities	12,322	75	6,459	11,134	194	34
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	5,349	-	-	82	-	-
Total Deferred Inflows of Resources	5,349	-	-	82	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	2,776	-	-	-
Restricted	-	239	-	17,302	-	-
Committed	-	-	16,171	-	975	173
Unassigned	(5,349)	-	-	-	-	-
Total fund balances (deficits)	(5,349)	239	18,947	17,302	975	173
Total liabilities, deferred inflows and fund balances (deficits)	$ 12,322	$ 314	$ 25,406	$ 28,518	$ 1,169	$ 207

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Survivors Human Trafficking 0132	**Mental Health Reporting 0148**	**Sexual Assault Services and Prevention 0158**	**Children's Wellness Charities 0178**	**Housing for Families 0181**	**DHS Technology Initiative 0211**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	6	3,535	631	36	45	5,858
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	1,085	189	-	-	1,781
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	-	2,308
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	4	-	-	-
Other receivables, net	-	3	-	-	-	4
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	946
Due from other State funds	-	4,000	-	-	-	595
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 6	$ 8,623	$ 824	$ 36	$ 45	$ 11,492
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ 14	$ 182	$ -	$ -	$ 946
Due to other government - federal	-	1	-	-	-	-
Due to other government - local	-	-	-	-	-	-
Due to other State fiduciary funds	-	10	-	-	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	7
Due to State of Illinois component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	1,085	189	-	-	1,781
Total liabilities	-	1,110	371	-	-	2,734
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	4	-	-	-
Total Deferred Inflows of Resources	-	-	4	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	6	-	449	36	45	-
Committed	-	7,513	-	-	-	8,758
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	6	7,513	449	36	45	8,758
Total liabilities, deferred inflows and fund balances (deficits)	$ 6	$ 8,623	$ 824	$ 36	$ 45	$ 11,492

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Autism Research Check-off 0228	Drunk and Drugged Driving Prevention 0276	Federal National Community Services 0343	Employment and Training 0347	Drug Treatment 0368	Sexual Assault Services 0389
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	4	462	-	2,770	2,307	176
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	2	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	2,411	-	-
Due from other government - local	-	-	-	-	185	5
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	5	-	-	7	-
Due from other State funds	-	-	333	-	157	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 6	$ 467	$ 333	$ 5,181	$ 2,656	$ 181
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ 126	$ -	$ 2,680	$ 681	$ 100
Due to other government - federal	-	1	-	-	-	-
Due to other government - local	-	-	-	84	-	-
Due to other State fiduciary funds	-	13	-	-	-	-
Due to other Department funds	-	-	333	-	-	-
Due to other State funds	-	-	-	2,411	-	-
Due to State of Illinois component units	-	-	-	6	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	2	-	-	-	-	-
Total liabilities	2	140	333	5,181	681	100
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	4	-	-	-	-	-
Committed	-	327	-	-	1,975	81
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	4	327	-	-	1,975	81
Total liabilities, deferred inflows and fund balances (deficits)	$ 6	$ 467	$ 333	$ 5,181	$ 2,656	$ 181

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	**Autism Care 0399**	**DHS Special Purposes Trust 0408**	**Autism Awareness 0458**	**Old Age Survivors Insurance 0495**	**Early Intervention Services Revolving 0502**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	3,316	39	88,692	2	1,598	5,412
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	1,029	-	-	-	-	1,427
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	175,765	-	1,072	4,069
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	2	-	131	-	-	1,262
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	22,615
Due from other State funds	-	-	-	-	-	4,800
Due from State of Illinois component units	-	-	2	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 4,347	$ 39	$ 264,590	$ 2	$ 2,670	$ 39,585
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ -	$ 95,969	$ -	$ 1,263	$ 26,159
Due to other government - federal	3,318	-	15	-	78	3
Due to other government - local	-	-	1,651	-	-	1,591
Due to other State fiduciary funds	-	-	177	-	1,245	34
Due to other Department funds	-	-	70,826	-	-	-
Due to other State funds	-	-	2,834	-	84	82
Due to State of Illinois component units	-	-	2,397	-	-	738
Unearned revenue	-	-	2,465	1	-	4,693
Obligations under securities lending of State Treasurer	1,029	-	-	-	-	1,427
Total liabilities	4,347	-	176,334	1	2,670	34,727
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	1,738	-	-	782
Total Deferred Inflows of Resources	-	-	1,738	-	-	782
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	39	-	1	-	-
Committed	-	-	86,518	-	-	4,076
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	-	39	86,518	1	-	4,076
Total liabilities, deferred inflows and fund balances (deficits)	$ 4,347	$ 39	$ 264,590	$ 2	$ 2,670	$ 39,585

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	DHS Community Services 0509	Domestic Violence Abuser Services 0528	DHS Federal Projects 0592	Special Olympics Illinois 0623	DHS State Projects 0642	Alcoholism and Substance Abuse 0646
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	33,632	159	3,023	2	1,365	592
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	9,799	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	4,713	-	-	11,903
Due from other government - local	-	1	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	24	-	20	-	104	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	1,571	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 45,026	$ 160	$ 7,756	$ 2	$ 1,469	$ 12,495
LIABILITIES						
Accounts payable and accrued liabilities	$ 467	$ -	$ 4,863	$ -	$ 300	$ 11,148
Due to other government - federal	-	-	1,495	-	-	2
Due to other government - local	-	-	492	-	-	1,265
Due to other State fiduciary funds	-	-	33	-	-	-
Due to other Department funds	-	-	-	-	1,030	-
Due to other State funds	22	-	-	-	43	35
Due to State of Illinois component units	-	-	215	-	-	45
Unearned revenue	-	-	-	1	96	-
Obligations under securities lending of State Treasurer	9,799	-	-	-	-	-
Total liabilities	10,288	-	7,098	1	1,469	12,495
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	3,313	-	-	7,534
Total Deferred Inflows of Resources	-	-	3,313	-	-	7,534
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	1	-	-
Committed	34,738	160	-	-	-	-
Unassigned	-	-	(2,655)	-	-	(7,534)
Total fund balances (deficits)	34,738	160	(2,655)	1	-	(7,534)
Total liabilities, deferred inflows and fund balances (deficits)	$ 45,026	$ 160	$ 7,756	$ 2	$ 1,469	$ 12,495

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	DHS Private Resources 0690	**U.S.D.A. Women Infants and Children 0700**	**Hunger Relief 0706**	**Tobacco Settlement Recovery 0733**	**Thriving Youth Income Tax Checkoff 0752**	**Local Initiative 0762**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ 213	$ -	$ -
Cash deposited with State Treasurer	1,370	4,560	224	-	65	6,585
Cash and cash equivalents	-	5,359	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	32	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	2,911	-	-	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	8,338	-	-	-	1
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	500	-	7	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 1,870	$ 21,168	$ 263	$ 213	$ 65	$ 6,586
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ 16,346	$ -	$ 29	$ -	$ 2,210
Due to other government - federal	-	6	-	1	-	2
Due to other government - local	-	4,442	-	173	-	494
Due to other State fiduciary funds	-	70	-	10	-	16
Due to other Department funds	-	-	-	-	-	3,460
Due to other State funds	-	73	-	-	-	62
Due to State of Illinois component units	-	43	-	-	-	342
Unearned revenue	1,870	188	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	32	-	-	-
Total liabilities	1,870	21,168	32	213	-	6,586
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	74	-	-	-	-
Total Deferred Inflows of Resources	-	74	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	231	-	65	-
Committed	-	-	-	-	-	-
Unassigned	-	(74)	-	-	-	-
Total fund balances (deficits)	-	(74)	231	-	65	-
Total liabilities, deferred inflows and fund balances (deficits)	$ 1,870	$ 21,168	$ 263	$ 213	$ 65	$ 6,586

(Continued)

State of Illinois
Department of Human Services

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Rehabilitation Services Elementary and Secondary Education Act 0798	Grant V. Dimas Escrow 0818	Domestic Violence Shelter and Service 0865	Maternal and Child Health Services Block Grant 0872	Community Mental Health Services Block Grant 0876	Homelessness Prevention Revenue 0889
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	806	5	723	-	437	1,183
Cash and cash equivalents	7	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	268	-
Due from other government - local	-	-	24	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	-	-	102	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	2	-	-	-	-	-
Due from other State funds	25	1,361	-	-	-	1
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 840	$ 1,366	$ 747	$ -	$ 807	$ 1,184
LIABILITIES						
Accounts payable and accrued liabilities	$ 26	$ -	$ 65	$ -	$ 795	$ -
Due to other government - federal	-	-	-	-	1	-
Due to other government - local	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	11	-
Due to other Department funds	-	1,335	-	-	-	-
Due to other State funds	34	-	31	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	60	1,335	96	-	807	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	780	31	-	-	-	1,184
Committed	-	-	651	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	780	31	651	-	-	1,184
Total liabilities, deferred inflows and fund balances (deficits)	$ 840	$ 1,366	$ 747	$ -	$ 807	$ 1,184

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Youth Drug Abuse Prevention 0910	**Juvenile Justice Trust 0911**	**DHS Recoveries Trust 0921**	**DHS Other Special Trusts 1139**	**DHS Commissary 1140**	**DHS Rehabilitation 1144**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	424	818	8,928	-	-	-
Cash and cash equivalents	-	-	-	463	12	88
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	281	-	-
Due from other government - federal	-	-	-	48	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	130,101	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	12	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 424	$ 830	$ 139,029	$ 792	$ 12	$ 88
LIABILITIES						
Accounts payable and accrued liabilities	$ 65	$ 109	$ 382	$ -	$ -	$ -
Due to other government - federal	-	-	53,595	-	-	-
Due to other government - local	-	49	5	-	-	-
Due to other State fiduciary funds	-	2	255	-	-	-
Due to other Department funds	-	-	946	-	12	-
Due to other State funds	-	-	13	-	-	-
Due to State of Illinois component units	-	78	-	-	-	-
Unearned revenue	-	592	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	65	830	55,196	-	12	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	128,459	-	-	-
Total Deferred Inflows of Resources	-	-	128,459	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	792	-	88
Committed	359	-	-	-	-	-
Unassigned	-	-	(44,626)	-	-	-
Total fund balances (deficits)	359	-	(44,626)	792	-	88
Total liabilities, deferred inflows and fund balances (deficits)	$ 424	$ 830	$ 139,029	$ 792	$ 12	$ 88

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

	Special Revenue			Permanent		
	DHS/DORS Special Revenue 1149	Food Stamp and Commodity 1245	Vending Facility Program for the Blind 1385	DHS/DORS Permanent Trust 1150	Burr Bequest 1272	Eliminations
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	-	-	-	-	-	-
Cash and cash equivalents	207	-	222	208	1,017	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	254	-	-
Due from other government - federal	-	-	-	-	-	-
Due from other government - local	19	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	61	-	-	-
Loans and notes receivable, net	-	-	403	-	-	-
Due from other Department funds	272	-	-		-	(1,090)
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 498	$ -	$ 686	$ 462	$ 1,017	$ (1,090)
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ -	$ 24	$ -	$ -	$ -
Due to other government - federal	-	-	-	-	-	-
Due to other government - local	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-
Due to other Department funds	2	-	-	142	-	(1,090)
Due to other State funds	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	2	-	24	142	-	(1,090)
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	160	945	-
Restricted	496	-	662	160	72	-
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	496	-	662	320	1,017	-
Total liabilities, deferred inflows and fund balances (deficits)	$ 498	$ -	$ 686	$ 462	$ 1,017	$ (1,090)

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020 (Expressed in Thousands)

		Total
ASSETS		
Unexpended appropriations	$	213
Cash deposited with State Treasurer		214,589
Cash and cash equivalents		7,583
Securities lending collateral equity with State Treasurer		15,413
Investments		535
Due from other government - federal		230,691
Due from other government - local		234
Taxes receivable, net		12
Other receivables, net		141,654
Loans and notes receivable, net		426
Due from other Department funds		22,833
Due from other State funds		16,823
Due from State of Illinois component units		2
Inventories		2,776
Total assets	$	653,784
LIABILITIES		
Accounts payable and accrued liabilities	$	187,836
Due to other government - federal		58,653
Due to other government - local		12,631
Due to other State fiduciary funds		3,256
Due to other Department funds		76,996
Due to other State funds		7,231
Due to State of Illinois component units		5,726
Unearned revenue		9,906
Obligations under securities lending of State Treasurer		15,413
Total liabilities		377,648
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		147,335
Total Deferred Inflows of Resources		147,335
FUND BALANCES (DEFICITS)		
Nonspendable		3,881
Restricted		22,683
Committed		162,475
Unassigned		(60,238)
Total fund balances (deficits)		128,801
Total liabilities, deferred inflows and fund balances (deficits)	$	653,784

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013	Group Home Loan Revolving 0025	Mental Health 0050	Vocational Rehabilitation 0081	Assistance to the Homeless 0100	Youth Alcoholism and Substance Abuse Prevention 0128
REVENUES						
Federal operating grants, net of refunds	$ 57,483	$ 200	$ 134	$ 135,774	$ -	$ -
Licenses and fees, net of refunds	-	-	-	-	-	-
Interest and investment income	-	2	-	-	-	-
Other charges for services, net of refunds	-	-	26,860	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	460	-	-	-
Other revenues, net of refunds	-	-	-	-	244	-
Total revenues	57,483	202	27,454	135,774	244	-
EXPENDITURES						
Health and social services	62,829	9	25,075	124,891	194	2,050
Debt service - principal	-	-	123	49	-	-
Debt service - interest	-	-	310	50	-	-
Capital outlays	-	-	-	752	-	-
Total expenditures	62,829	9	25,508	125,742	194	2,050
Excess (deficiency) of revenues over (under) expenditures	(5,346)	193	1,946	10,032	50	(2,050)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	80	-	-
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	24	-	-
Net other sources (uses) of financial resources	-	-	-	104	-	-
Net change in fund balances	(5,346)	193	1,946	10,136	50	(2,050)
Fund balances (deficits), July 1, 2019, as restated	(3)	46	17,001	7,166	925	2,223
FUND BALANCES (DEFICITS), June 30, 2020	$ (5,349)	$ 239	$ 18,947	$ 17,302	$ 975	$ 173

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Survivors Human Trafficking 0132	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211
REVENUES						
Federal operating grants, net of refunds	$ -	$ -	$ -	$ -	$ -	$ 3,426
Licenses and fees, net of refunds	-	1,394	-	-	-	-
Interest and investment income	-	108	7	-	-	118
Other charges for services, net of refunds	-	-	424	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	1	-	-	-	-	-
Total revenues	1	1,502	431	-	-	3,544
EXPENDITURES						
Health and social services	-	536	182	-	-	3,497
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	-	536	182	-	-	3,497
Excess (deficiency) of revenues over (under) expenditures	1	966	249	-	-	47
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-
Net change in fund balances	1	966	249	-	-	47
Fund balances (deficits), July 1, 2019, as restated	5	6,547	200	36	45	8,711
FUND BALANCES (DEFICITS), June 30, 2020	$ 6	$ 7,513	$ 449	$ 36	$ 45	$ 8,758

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Autism Research Check-off 0228	**Drunk and Drugged Driving Prevention 0276**	**Federal National Community Services 0343**	**Employment and Training 0347**	**Drug Treatment 0368**	**Sexual Assault Services 0389**
REVENUES						
Federal operating grants, net of refunds	$ -	$ -	$ -	$ 389,874	$ -	$ -
Licenses and fees, net of refunds	-	1,244	-	-	-	-
Interest and investment income	-	-	-	-	-	-
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	2,883	96
Total revenues	-	1,244	-	389,874	2,883	96
EXPENDITURES						
Health and social services	-	832	-	389,445	2,152	100
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	-	832	-	389,445	2,152	100
Excess (deficiency) of revenues over (under) expenditures	-	412	-	429	731	(4)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	953	-
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	953	-
Net change in fund balances	-	412	-	429	1,684	(4)
Fund balances (deficits), July 1, 2019, as restated	4	(85)	-	(429)	291	85
FUND BALANCES (DEFICITS), June 30, 2020	$ 4	$ 327	$ -	$ -	$ 1,975	$ 81

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	Autism Care 0399	DHS Special Purposes Trust 0408	Autism Awareness 0458	Old Age Survivors Insurance 0495	Early Intervention Services Revolving 0502
REVENUES						
Federal operating grants, net of refunds	$ (55)	$ -	$ 407,950	$ -	$ 64,282	$ 65,925
Licenses and fees, net of refunds	-	-	-	20	-	4,469
Interest and investment income	55	-	-	-	-	69
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	-	(216)
Total revenues	-	-	407,950	20	64,282	70,247
EXPENDITURES						
Health and social services	-	-	411,673	20	64,275	169,860
Debt service - principal	-	-	2	-	4	-
Debt service - interest	-	-	1	-	3	-
Capital outlays	-	-	-	-	3	-
Total expenditures	-	-	411,676	20	64,285	169,860
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,726)	-	(3)	(99,613)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	108,692
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	3	-
Net other sources (uses) of financial resources	-	-	-	-	3	108,692
Net change in fund balances	-	-	(3,726)	-	-	9,079
Fund balances (deficits), July 1, 2019, as restated	-	39	90,244	1	-	(5,003)
FUND BALANCES (DEFICITS), June 30, 2020	$ -	$ 39	$ 86,518	$ 1	$ -	$ 4,076

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	DHS Community Services 0509	Domestic Violence Abuser Services 0528	DHS Federal Projects 0592	Special Olympics Illinois 0623	DHS State Projects 0642	Alcoholism and Substance Abuse 0646
REVENUES						
Federal operating grants, net of refunds	$ 4,919	$ -	$ 14,539	$ -	$ -	$ 29,622
Licenses and fees, net of refunds	-	-	-	16	-	-
Interest and investment income	245	-	-	-	-	-
Other charges for services, net of refunds	2	-	-	-	-	-
Other operating grants, net of refunds	-	-	138	-	-	378
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	31	-	-	-	-
Total revenues	5,166	31	14,677	16	-	30,000
EXPENDITURES						
Health and social services	19,400	-	17,191	15	-	37,534
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	19,400	-	17,191	15	-	37,534
Excess (deficiency) of revenues over (under) expenditures	(14,234)	31	(2,514)	1	-	(7,534)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	24,280	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	24,280	-	-	-	-	-
Net change in fund balances	10,046	31	(2,514)	1	-	(7,534)
Fund balances (deficits), July 1, 2019, as restated	24,692	129	(141)	-	-	-
FUND BALANCES (DEFICITS), June 30, 2020	$ 34,738	$ 160	$ (2,655)	$ 1	$ -	$ (7,534)

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	DHS Private Resources 0690	**U.S.D.A. Women Infants and Children 0700**	**Hunger Relief 0706**	**Tobacco Settlement Recovery 0733**	**Thriving Youth Income Tax Checkoff 0752**	**Local Initiative 0762**
REVENUES						
Federal operating grants, net of refunds	$ -	$ 166,544	$ -	$ -	$ -	$ 18,178
Licenses and fees, net of refunds	-	-	-	-	-	-
Interest and investment income	-	-	3	-	-	-
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	31	-	175	1,376	-	-
Total revenues	31	166,544	178	1,376	-	18,178
EXPENDITURES						
Health and social services	31	166,616	100	1,325	-	18,178
Debt service - principal	-	1	-	-	-	-
Debt service - interest	-	1	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	31	166,618	100	1,325	-	18,178
Excess (deficiency) of revenues over (under) expenditures	-	(74)	78	51	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	4,189	-	-
Lapsed appropriations	-	-	-	(2,864)	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(1,376)	-	-
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	(51)	-	-
Net change in fund balances	-	(74)	78	-	-	-
Fund balances (deficits), July 1, 2019, as restated	-	-	153	-	65	-
FUND BALANCES (DEFICITS), June 30, 2020	$ -	$ (74)	$ 231	$ -	$ 65	$ -

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Rehabilitation Services Elementary and Secondary Education Act 0798	**Grant V. Dimas Escrow 0818**	**Domestic Violence Shelter and Service 0865**	**Maternal and Child Health Services Block Grant 0872**	**Community Mental Health Services Block Grant 0876**	**Homelessness Prevention Revenue 0889**
REVENUES						
Federal operating grants, net of refunds	$ 238	$ -	$ -	$ -	$ 22,937	$ -
Licenses and fees, net of refunds	-	-	-	-	-	-
Interest and investment income	-	26	-	-	-	-
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	300	5	394	-	182	-
Total revenues	538	31	394	-	23,119	-
EXPENDITURES						
Health and social services	587	-	484	1	23,119	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	12	-	-	-	-	-
Total expenditures	599	-	484	1	23,119	-
Excess (deficiency) of revenues over (under) expenditures	(61)	31	(90)	(1)	-	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	9,904	-	-
Lapsed appropriations	-	-	-	(9,904)	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(1)	-	-
Transfers-in	-	-	-	-	-	1,184
Transfers-out	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	(1)	-	1,184
Net change in fund balances	(61)	31	(90)	(2)	-	1,184
Fund balances (deficits), July 1, 2019, as restated	841	-	741	2	-	-
FUND BALANCES (DEFICITS), June 30, 2020	$ 780	$ 31	$ 651	$ -	$ -	$ 1,184

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue					
	Youth Drug Abuse Prevention 0910	**Juvenile Justice Trust 0911**	**DHS Recoveries Trust 0921**	**DHS Other Special Trusts 1139**	**DHS Commissary 1140**	**DHS Rehabilitation 1144**
REVENUES						
Federal operating grants, net of refunds	$ -	$ 1,251	$ -	$ 259	$ -	$ -
Licenses and fees, net of refunds	-	-	-	-	-	-
Interest and investment income	-	-	-	7	-	-
Other charges for services, net of refunds	-	-	13,745	-	42	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	173	-	-	272	-	248
Total revenues	173	1,251	13,745	538	42	248
EXPENDITURES						
Health and social services	330	1,251	12,280	566	32	223
Debt service - principal	-	-	1	-	-	-
Debt service - interest	-	-	1	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	330	1,251	12,282	566	32	223
Excess (deficiency) of revenues over (under) expenditures	(157)	-	1,463	(28)	10	25
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	(1)	(18)	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	(1)	(18)	-
Net change in fund balances	(157)	-	1,463	(29)	(8)	25
Fund balances (deficits), July 1, 2019, as restated	516	-	(46,089)	821	8	63
FUND BALANCES (DEFICITS), June 30, 2020	$ 359	$ -	$ (44,626)	$ 792	$ -	$ 88

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2020 (Expressed in Thousands)

	Special Revenue		
	DHS/DORS Special Revenue 1149	**Food Stamp and Commodity 1245**	**Vending Facility Program for the Blind 1385**
REVENUES			
Federal operating grants, net of refunds	$ -	$ 3,264,146	$ -
Licenses and fees, net of refunds	-	-	-
Interest and investment income	-	-	-
Other charges for services, net of refunds	-	-	-
Other operating grants, net of refunds	-	-	-
Other taxes, net of refunds	-	-	-
Other revenues, net of refunds	290	-	393
Total revenues	290	3,264,146	393
EXPENDITURES			
Health and social services	228	3,264,146	306
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlays	-	-	-
Total expenditures	228	3,264,146	306
Excess (deficiency) of revenues over (under) expenditures	62	-	87
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	-	-	-
Lapsed appropriations	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-
Transfers-in	1	-	-
Transfers-out	-	-	(80)
Capital lease and installment purchase financing	-	-	-
Net other sources (uses) of financial resources	1	-	(80)
Net change in fund balances	63	-	7
Fund balances (deficits), July 1, 2019, as restated	433	-	655
FUND BALANCES (DEFICITS), June 30, 2020	$ 496	$ -	$ 662

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2020 (Expressed in Thousands)

	Permanent			
	DHS/DORS Permanent Trust 1150	Burr Bequest 1272	Eliminations	Total
REVENUES				
Federal operating grants, net of refunds	$ -	$ -	$ -	$ 4,647,626
Licenses and fees, net of refunds	-	-	-	7,143
Interest and investment income	13	14	-	667
Other charges for services, net of refunds	-	-	-	41,073
Other operating grants, net of refunds	-	-	-	516
Other taxes, net of refunds	-	-	-	460
Other revenues, net of refunds	8	-	-	6,886
Total revenues	21	14	-	4,704,371
EXPENDITURES				
Health and social services	1	11	-	4,821,575
Debt service - principal	-	-	-	180
Debt service - interest	-	-	-	366
Capital outlays	-	-	-	767
Total expenditures	1	11	-	4,822,888
Excess (deficiency) of revenues over (under) expenditures	20	3	-	(118,517)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	-	14,093
Lapsed appropriations	-	-	-	(12,768)
Receipts collected and transmitted to State Treasury	-	-	-	(1,377)
Transfers-in	-	-	(80)	135,110
Transfers-out	-	-	80	(19)
Capital lease and installment purchase financing	-	-	-	27
Net other sources (uses) of financial resources	-	-	-	135,066
Net change in fund balances	20	3	-	16,549
Fund balances (deficits), July 1, 2019, as restated	300	1,014	-	112,252
FUND BALANCES (DEFICITS), June 30, 2020	$ 320	$ 1,017	$ -	$ 128,801

State of Illinois
Department of Human Services
Combining Statement of Fiduciary Net Position - Agency Funds
June 30, 2020 (Expressed in Thousands)

	Agency			
	Electronic Benefits Transfers 0540	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
ASSETS				
Cash and cash equivalents	$ -	$ 3,886	$ 13	$ 3,899
Investments	-	850	-	850
Due from other government - federal	-	34	-	34
Other receivables, net	-	9	1	10
Due from other Department funds	-	-	6	6
Total assets	$ -	$ 4,779	$ 20	$ 4,799
LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 20	$ 20
Other liabilities	-	4,779	-	4,779
Total liabilities	$ -	$ 4,779	$ 20	$ 4,799

State of Illinois
Department of Human Services
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2020 (Expressed in Thousands)

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Electronic Benefits Transfers (0540)				
ASSETS				
Cash equity with State Treasurer	$ -	$ 148,874	$ 148,874	$ -
Total assets	$ -	$ 148,874	$ 148,874	$ -
LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ 148,874	$ 148,874	$ -
Total liabilities	$ -	$ 148,874	$ 148,874	$ -
DHS Resident's Trust (1143)				
ASSETS				
Cash and cash equivalents	$ 2,138	$ 17,157	$ 15,409	$ 3,886
Investments	880	-	30	850
Due from other government - federal	29	588	583	34
Other Receivables, net	3	9	3	9
Total assets	$ 3,050	$ 17,754	$ 16,025	$ 4,779
LIABILITIES				
Other liabilities	$ 3,050	$ 17,754	$ 16,025	$ 4,779
Total liabilities	$ 3,050	$ 17,754	$ 16,025	$ 4,779
DHS/DORS Agency (1147)				
ASSETS				
Cash and cash equivalents	$ -	$ 230	$ 217	$ 13
Other receivables, net	-	1	-	1
Due from other Department funds	26	56	76	6
Total assets	$ 26	$ 287	$ 293	$ 20
LIABILITIES				
Accounts payable and accrued liabilities	$ 26	$ 287	$ 293	$ 20
Total liabilities	$ 26	$ 287	$ 293	$ 20
Total - All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 2,138	$ 166,261	$ 164,500	$ 3,899
Investments	880	-	30	850
Due from other government - federal	29	588	583	34
Other receivables, net	3	10	3	10
Due from other Department funds	26	56	76	6
Total assets	$ 3,076	$ 166,915	$ 165,192	$ 4,799
LIABILITIES				
Accounts payable and accrued liabilities	$ 26	$ 149,161	$ 149,167	$ 20
Other liabilities	3,050	17,754	16,025	4,779
Total liabilities	$ 3,076	$ 166,915	$ 165,192	$ 4,799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Human Services (Department), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 9, 2021. Our report included the following Emphasis of Matter "As discussed in Note 15 to the financial statements, the Department restated fund balance for the General Fund ($70.8 million increase) and the Other Non-major Funds ($70.8 million decrease) to correct errors in accounting for grants. As discussed in Note 2 to the financial statements, the financial statements of the Department are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2020, and the respective changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to these matters."

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-001, 2020-003, 2020-005, 2020-006 and 2020-011.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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 of this section 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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 2020-001 to 2020-012 to be material weaknesses.

A *significant deficiency* 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 deficiency described in the accompanying schedule of findings as item 2020-013 to be a significant deficiency.

State of Illinois, Department of Human Services' Responses to Findings
The Department's responses to items 2020-001 through 2020-013 are described in the accompanying schedule of findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

State of Illinois, Department of Healthcare and Family Services' Responses to Findings
The State of Illinois, Department of Healthcare and Family Services' responses to items 2020-005 through 2020-012 are described in the accompanying schedule of findings. The State of Illinois, Department of Healthcare and Family Services' responses were not subjected to the auditing procedures applied to the audit of the financial statements and accordingly, we express no opinion on the responses.

State of Illinois, Department of Children and Family Services' Responses to Findings
The State of Illinois, Department of Children and Family Services' response to item 2020-012 is described in the accompanying schedule of findings. The State of Illinois, Department of Children and Family Services' response was not subjected to the auditing procedures applied to the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 9, 2021

Current Findings – *Government Auditing Standards*

Finding 2020-001 Medical Assistance Program Financial Information

The Department of Human Services (Department) does not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the Department's financial statements.

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

- The Department could not provide documentation of the preparation, or the Department's review of expenditure reconciliations for Federal Medical Assistance Program (MAP) funds or the State Children's Health Insurance Program (CHIP) (Funds 0120, 0142, 0211, 0365, 0502, 0509 and 0718) between amounts reported in the Department's Consolidated Accounting and Reporting System (CARS) and amounts reported in the Grant/Contract Analysis Forms (Form SCO-563s) provided to the Office of Comptroller (IOC) which support the receivable calculation for financial reporting. The amount per the Form SCO-563s (totaling approximately $377.4 million for total reimbursable costs "TRC" for CFDAs 93.767 and 93.778) is a computed amount (a formula), essentially the amount needed to achieve the reported receivable balance provided by the Department of Healthcare and Family Services (HFS), a separate State agency. The Department does not retain a reconciliation between what is reported on the Form SCO-563s (claimable expenditures) and within CARS (all expenditures) for each fund. Additionally, there is no documentation maintained by the Department to support the calculation and methodology used by HFS in preparing the federal receivable amount (approximately $12.8 million for the two programs).

- During testing of expenditures and liabilities, we determined that the Department is not monitoring or reviewing the payments submitted by HFS, or the liabilities calculated by HFS, on behalf of the Department and reported in the Department's financial statements. When HFS submits a request for payment to the IOC, a summary file is also sent to the Department which goes through an interface and is recorded into CARS. An employee in the Department's Fiscal Services Bureau reconciles the payments between CARS and the IOC before accepting them into CARS. Although, the Department has documented their understanding of how transactions for DHS programs are processed within HFS, the Department was not able to provide auditors with documentation of their monitoring performed over the amounts reported in the Department's financial statements. Additionally, we noted Department management is placing reliance on the internal control over the applicable HFS system application based on information obtained during HFS' State Compliance Examination for the two years ended June 30, 2017, which is outdated for transactions processed during FY2020. Currently, the Department receives summarized information from HFS and records the transactions into CARS and the GAAP packages without performing sufficient procedures to determine the accuracy of the information.

A good system of internal control requires that management review all significant accounts and balances recorded in the financial statements for accuracy, which includes transactions initiated by other State agencies.

Current Findings – *Government Auditing Standards*

Finding 2020-001 Medical Assistance Program Financial Information (Continued)

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 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.

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

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

Lack of sufficient control over transactions and balances recorded in the Department's financial statements increases the likelihood of misstatements. (Finding Code No. 2020-001, 2019-001, 2018-001, 2017-002)

Recommendation

We recommend the Department assume more responsibility for the transactions and balances reported in its financial statements that are initiated/estimated by other State agencies, including the following:

- The Department should enter into an interagency agreement (IA) with HFS that details the responsibilities of each agency with regards to initiating, processing and recording transactions, and how the sufficiency of internal control over Department transactions will be monitored (i.e. annual internal audit, SOC 1 Type 2 audit, or other).

- Once an IA is executed, on a regular basis, the Department should determine if the control system and related monitoring agreed to through the IA is sufficient to prevent and detect significant financial statement errors. The sufficiency of internal control should be monitored each time there is a major change to MAP/CHIP programs or IT systems used for those programs.

- Expenditure and accrual amounts provided by HFS in connection with year-end reporting of Federal MAP receivables should be reconciled to CARS or agreed to reports and source data compiled by HFS.

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review current internal controls on Federal Medical Assistance Program transactions and balances reported in its financial statements that are initiated and estimated by other State agencies and seek improvements.

Current Findings – *Government Auditing Standards*

Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers

The Department of Human Services (Department) did not obtain independent internal control reviews over all third-party service providers.

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

The services these six TPPs provided were:

1. Processing of negotiable food instruments (Women, Infants and Children (WIC) program) – TPP validates food instruments by performing data entry and system edits that either allow payment or cause return of the food instrument to the bank of first deposit. The TPP processed approximately $160 million in WIC vouchers during the audit period.
2. Home Based Services (developmental disabilities program) – TPP processes timesheets for home based service workers, pays the workers, and files the related payroll tax returns. The TPP processed approximately $150 million of transactions during the audit period.
3. Provider claims processing for the Early Intervention (EI) program – TPP receives, reviews and approves claims from Providers, and provides claims data to the Department for payment. Approximately $118 million in claims was approved for payment to the TPP during the audit period. The TPP also bills EI participants for their family participation fee (approximately $6.3 million) and bills Medicaid for qualified services provided to EI participants (approximately $40 million).
4. Infrastructure IT and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by the Department of Innovation and Technology (DoIT).
5. Electronic visit verification system for the Home Services program (HSP) personnel – The TPP processed approximately $619 million of transactions during the audit period.
6. Processing of SNAP and cash assistance benefits for the Illinois LINK program– The TPP processed approximately $3.3 billion of transactions during the audit period.

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

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

SOC Reports Received:

- For the TPP which processes SNAP benefits (Electronic Benefit Transfer "EBT" of food stamps), the Independent Service Auditor had issued a qualified opinion for three consecutive years. The qualification was due to controls not being suitably designed to achieve the control objective "Controls provide reasonable assurance that the settlement of funds to EBT providers is executed timely and accurately". When discussing the qualified opinion with Department management, they stated monitoring procedures were performed over the TPP, with regards to the noted control deficiencies in the FY20 SOC 1 Type 2 report. Management deemed the report acceptable and would continue to monitor the implementation of the TTP's action plans in future SOC reports.

Current Findings – *Government Auditing Standards*

Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

- For the two TPPs for which a SOC 1 Type 2 report was obtained, as of the end of fieldwork, management had not performed monitoring procedures over the subservice providers identified and, effectively, did not assess the potential impact of any control deficiencies on the Department's financial statements, the Department's compliance with the provisions of laws, regulations and grant agreements, or the potential impact on the Department's clients.

Alternative Audit Procedures Performed (DoIT):

The Statewide IES application and data reside on the DoIT environment. In this regard, DoIT is a third party service provider to the Department. The Department did not obtain a SOC 1 Type 2 report for these services performed by DoIT and the Department did not perform alternative procedures to obtain evidence that all services were provided in a sufficient manner.

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

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

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

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

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

Current Findings – *Government Auditing Standards*

Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

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 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.

Federal CMS' *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states 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.

The industry standard for understanding business processes, internal controls, and the suitability and operating effectiveness of internal controls provided by a TPP is through obtaining a SOC 1 Type 2 report. A SOC 1 Type 2 report provides:

a. TPP management's description of the service organization's system;

b. A written assertion by TPP management about whether in all material respects and, based on suitable criteria, including:
   i. TPP management's description of the service organization's system fairly presents the service organization's system was designed and implemented throughout the specified period,
   ii. the controls related to the control objectives stated in TPP management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives, and, the controls related to the control objectives stated in TPP management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives; and,

c. An Independent Service Auditor's report that:
   i. expresses an opinion on the matters in b (i–ii), and
   ii. includes a description of the service auditor's tests of controls and the results thereof.

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.

Current Findings – *Government Auditing Standards*

Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

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

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

Without obtaining, reviewing, and monitoring a SOC 1 Type 2 report, or another form of independent internal controls review, the Department does not have assurance the TPPs' or any subservice organizations' internal controls are adequate to ensure program activities that result in transactions recorded in the Department's financial statements are complete and accurate. Additionally, the Department is not able to ensure confidential and sensitive program data is adequately secured by the TPP. The Departments' failure to monitor the services provided by DoIT could result in client data for programs administered by the Department being housed in an environment that exposes it to significant risks. (Finding Code No. 2020-002, 2019-002, 2018-003, 2017-005)

Recommendation

We recommend the Department obtain SOC 1 Type 2 reports, or perform independent reviews of internal control associated with all TPPs, at least annually. The independent reviews should include an assessment of the following five key system attributes, as applicable:

- Security - The system is protected against both physical and logical unauthorized access.
- Availability - The system is available for operation and use as committed or agreed.
- Processing integrity - System processing is complete, accurate, timely and authorized.
- Confidentiality - Information designated as confidential is protected as committed or agreed.
- Privacy - Personal information is collected, used, retained, disclosed, and disposed of in conformity with Department requirements.

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

Current Findings – *Government Auditing Standards*

Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. During Fiscal Year 2019, IDHS began a process of identifying contracted third-party service providers by performing an analysis of the contractual third-party provider services and the contractual expenditures. This process is being performed and reviewed annually by the IDHS Office of Contract Administration. Furthermore, IDHS agrees that internal controls associated with external party service providers should be strengthened to:

- Ensure all third-party service providers that are identified as required to complete an annual SOC Report are notified and monitored annually for timely submission of the SOC Report;
- Ensure reviews and analysis of the external service provider submitted SOC Reports are performed annually;
- Ensure gaps in timing between the contracted third-party service providers' SOC Reports and IDHS's financial data are adequately addressed by alternate control processes within the IDHS program areas or divisions;
- Ensure corrective action taken by the third-party service providers and the IDHS program areas or divisions is documented and maintained.

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

Current Findings – *Government Auditing Standards*

Finding 2020-003 Revenue not Recorded in the Correct Fund and Noncompliance with Statute

The Department of Human Services (Department) does not have adequate controls over recording grant transactions. As a result, the Department's fiscal year 2019 financial statements were misstated and the draft fiscal year 2020 financial statements contained errors relating to the recording of federal grant transactions, the most significant of which was for the Child Care Assistance Program. Grant revenue that should have been deposited and recorded in the General Revenue Fund (Fund 0001) was instead deposited and recorded in the DHS Special Purposes Trust Fund (Fund 0408). Additionally, the Department did not comply with State law which required the amounts be deposited in Fund 0001.

During our audit we noted the following errors in the Department's draft fiscal year 2020 financial statements:

1. The Department does not maintain accurate records of federal award expenditures incurred by fund, which are used for claiming federal grant draw amounts (as reported in Finding 2020-001), and as a result revenues relating to federal draws were not recorded in the correct fund. During fiscal years 2019 and 2020, approximately $71 million and $51 million, respectively, in federal operating grant revenue was recorded in Fund 0408 that related to expenditures incurred in the Fund 0001. This resulted in an overstatement of the Fund 0408 fund balance and an understatement of the Fund 0001 fund balance of $122 million at June 30, 2020 and $71 million at June 30, 2019.

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

2. Amounts recorded for Due from Other Governments - Federal (receivable) pertaining to the Temporary Assistance for Needy Families grant (General Fund) was understated by approximately $17.5 million.

   Department management stated this error occurred due to human oversight when Department staff prepared the draft fiscal year 2020 financial statements.

3. Effective July 1, 2019, the language of the Mental Health and Developmental Disabilities Administrative Act (MH Act) changed by removing the requirement that federal funds be deposited directly into the Community Developmental Disability Services Medicaid Trust Fund (Fund 0142), which is a sub-fund of the General Fund. However, the MH Act added the requirement that federal funds deposited into Fund 0142 were not to exceed $60,000,000 in any fiscal year. During testing we noted during fiscal year 2019 a total of $77,582,096 was deposited into Fund 0142 on behalf of the Department. This situation resulted in the incurrence of a liability to the Department of Healthcare and Family Services (HFS) of $17.6 million (relating to the excess deposit). In fiscal year 2020, the $17.6 million liability was not paid to HFS by the Department. Instead, the related liability was incorrectly removed and revenue was increased.

   Department management indicated this error occurred due to human oversight.

Current Findings – *Government Auditing Standards*

Finding 2020-003 Revenue not Recorded in the Correct Fund and Noncompliance with Statute (Continued)

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

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

The situation described in item 1 above also resulted in noncompliance with State law. The Department has not sufficiently determined the provisions of Illinois State law which could have a material impact on the amounts reported in the Department's financial statements, and as a result failed to comply with the Illinois Public Aid Code (Code) (305 ILCS 5/12-10) which requires Federal reimbursements pertaining to certain expenditures paid from Fund 0001 to be deposited in Fund 0001.

Department management indicated the Department has historically not applied the Code to the fiscal reporting and management of the Child Care Assistance Program. Furthermore, the Department was unaware the specific statute noted was applicable to the Child Care Development Block Grant program (CFDA 93.575) revenues.

Generally accepted accounting policies (GAAP) requires that federal grant reimbursement revenue be recorded in the fund or function that incurs the associated expenditures. GASB Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, requires that recipients recognize voluntary nonexchange transaction receivables when all applicable eligibility requirements, including time requirements, are met. The Department's federal grants are predominantly reimbursement-type grants wherein eligibility requirements are fulfilled upon incurring qualified expenditures.

In accordance with generally accepted accounting principles, liabilities incurred in a prior period which have not been liquidated during the reporting period should remain as liabilities in the financial statements until paid.

The Code (305 ILCS 5/12-10) (from Ch. 23, par. 12-10) requires all federal monies received as reimbursement for expenditures from the General Revenue Fund, and which were made for the purposes authorized for expenditures from the DHS Special Purposes Trust Fund, are to be deposited by the Department into the General Revenue Fund.

The MH Act (20 ILCS 1705/18.5) requires that beginning in fiscal year 2019, funds in any fiscal year in amounts not exceeding a total of $60,000,000 paid to the State by the federal government under Title XIX or Title XXI of the Social Security Act, be deposited into Fund 0142 to pay for Medicaid-reimbursed community developmental disability services provided to eligible individuals.

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 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.

Current Findings – *Government Auditing Standards*

Finding 2020-003 Revenue not Recorded in the Correct Fund and Noncompliance with Statute (Continued)

Under the current process, errors could and do occur which materially misstate the Department's financial statements and negatively impact the Statewide financial statements. Accurate and timely financial statements of the Department's financial information for GAAP reporting purposes is important due to the complexity of the Department and the impact adjustments have on the Statewide financial statements. The Department did not record federal operating grant revenue in accordance with GAAP and did not comply with State law resulting in a misstatement of the fiscal year 2019 financial statement and the draft fiscal year 2020 financial statements. (Finding Code No. 2020-003)

Recommendation

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

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

Department Response

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

Current Findings – *Government Auditing Standards*

Finding 2020-004 Errors in Computing the Allowance for Doubtful Accounts

The Department of Human Services (Department) did not correctly use all information it had available in determining the allowance for doubtful accounts leading to errors in various account balances.

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

The Department determines two allowance rates, one for the AFDC program receivables, and a second for all other program receivables. Because the AFDC program ended when replaced by the Supplemental Nutrition Assistance Program (SNAP) in 1998, the remaining AFDC balances are older and thus have a higher allowance rate (96.67%) than other programs (59.86%). Because the receivables for the AFDC program were misclassified into the wrong program (AABD), the resulting allowance amount was understated by the difference between the two allowance rates. As a result, the allowance for all programs recorded in Fund 0921 of $250.8 million was understated by $21 million. This understatement also had an impact on deferred inflows of resources for governmental funds (unavailable revenue), and revenue for governmental activities, each of which was overstated by $21 million. The allowance is also used to estimate the amount of net receivables that is owed to the Federal government for the AFDC program. As a result of the understatement in the allowance, the liability was overstated by approximately $1 million. These errors were deemed immaterial by the Department and were not corrected in the Department's final financial statements.

The calculated allowance pertains to receivables from two sources, the Accounts Receivable System (ARS) and the Consolidated Accounting and Reporting System (CARS). The information from ARS contains a detailed history and is used to determine the allowance rates and amounts. The detail provided for $38.3 million of receivables recorded in CARS is not sufficient to perform an aging of the receivables or to calculate a reasonable allowance. The data contained within CARS is only the customer ID and amount (no debt establishment date or collections data). As such, the allowance rate applied to the CARS receivables was based on the ARS data and we were unable to determine if the rate was accurate.

According to generally accepted accounting principles (GAAP), the allowance for uncollectable accounts should represent management's best estimate of the amount of receivables that will not be collected. The allowance for doubtful accounts is a significant estimate that requires proper analysis and evaluation of past and current events as well as the assumptions used.

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

Recording an allowance for doubtful accounts which is not reflective of all known events and conditions has and will continue to result in misstatements of accounts receivable and amounts due to the Federal government. Lack of sufficient, detailed information supporting receivable balances hampers management's ability to determine a suitable allowance. (Finding Code No. 2020-004)

Current Findings – *Government Auditing Standards*

Finding 2020-004 Errors in Computing the Allowance for Doubtful Accounts (Continued)

Recommendation

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

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS has corrected the logic in the quarterly accounts receivable report and will continue to analyze any significant changes in the allowance amount year over year.

Current Findings – *Government Auditing Standards*

Finding 2020-005 Inadequate Controls over Eligibility Determinations and Redeterminations

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (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 which intakes, processes (with the assistance of caseworkers), and approves recipient applications, redeterminations, Mid-Point Reports and maintenance items in order to determine eligibility and make payments for the State's human service programs.

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 13 of the 60 cases tested (21.7%), we noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification.

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

The Code of Federal Regulations (Code) (42 C.F.R. § 435.403), *Eligibility in the States, District of Columbia, the Norther 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.

Current Findings – *Government Auditing Standards*

Finding 2020-005 Inadequate Controls over Eligibility Determinations and Redeterminations (Continued)

The Code (7 C.F.R. § 273.2), *Office Operations and Application Process*, requires the application or reapplication form (form) for individuals requesting SNAP be signed to establish a filing date and to determine DHS' deadline for acting on the form. DHS shall not certify a household without a signed form. The application process includes filing and completing an application form, being interviewed, and having certain information verified. States must meet application processing timelines. All SNAP applications, regardless of whether they are joint applications or separate applications, must be processed for SNAP purposes in accordance with SNAP procedural, timeliness, notice and fair hearing requirements. State agencies shall verify the following information prior to certification for households initially applying" gross nonexempt income, alien eligibility, utility expenses, medical expenses, social security numbers, residency, identity, and disability.

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

The Code (7 C.F.R. § 273.14), *Recertification*, requires DHS to establish procedures for notifying SNAP households of expiration dates, providing application forms, scheduling interviews, and recertifying eligible households prior to the expiration of certification periods.

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 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 human services programs to provide reasonable assurance that the Departments are managing the human services programs in compliance with federal statutes, regulations, and the terms and conditions and comply with federal statutes, regulations, and terms and conditions of the human services programs.

Additionally, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Departments to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws.

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.

Current Findings – *Government Auditing Standards*

Finding 2020-005 Inadequate Controls over Eligibility Determinations and Redeterminations (Continued)

Conditions noted in the FY2019 audit that were impacted due to COVID-19

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

In order to understand the functions performed by the caseworkers more fully, during the FY 2019 audit we conducted on-site observations at three of DHS' local offices and noted various issues the caseworkers encountered in their utilization of IES while working with recipients. Due to safety measures related to COVID-19, we did not perform on-site observations during the FY 2020 audit.

Due to the impact of COVID-19 on the current audit, we were not able to determine if the Departments implemented sufficient corrective actions to address the MPR and Caseworker IES utilization issues noted in the FY 2019 audit. However, we do not believe any potential noncompliance related to the MPR reports, or Caseworker utilization issues, would have a material impact on the financial statements of DHS or HFS.

During the FY 2019 audit, we noted the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS) issued a report with findings, resulting from its Payment Error Rate Measurement (PERM) audit, in 2019. Although that report disclosed exceptions similar to those noted above from our testing, Federal CMS did not impose eligibility recoveries or disallowances based on its projected results. The next PERM audit to be conducted by Federal CMS will be for the 2022 reporting year.

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. 2020-005, 2019-005, 2018-005, 2017-008, 2016-001, 2015-002)

Recommendation

We recommend the Departments work together to:

- implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES,
- complete certifications of applications and redeterminations timely, and
- correct IES application errors.

Current Findings – *Government Auditing Standards*

Finding 2020-005 Inadequate Controls over Eligibility Determinations and Redeterminations (Continued)

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. Management staff will review current guidelines and quality checks for maintaining accurate and thorough case records as well as training resources on proper entry of income. To ensure case processing within required timeframes, statewide processing management will be utilized to review and assign outstanding requests coming due to certification. IDHS has worked to improve its processing timeliness by adding two statewide processing centers and increasing caseworker headcount and is in the process of adding a third statewide processing center.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services to develop policy guidance to remind eligibility workers of verification requirements, update and distribute training materials to clearly communicate and reinforce verification requirements and correct the medical processing errors noted.

Finding 2020-006 Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely.

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' Integrated Eligibility System (IES) is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

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

Change Documentation

The Code of Federal Regulations (Code) (42 C.F.R. § 435.916(d)(1)), *Periodic Renewal of Medicaid Eligibility*, requires the Departments to promptly redetermine eligibility upon receipt of information affecting eligibility.

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

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

Initial Applications

The Code (42 C.F.R. § 435.912(c)(3)), *Timely Determination of Eligibility,* requires the Departments to determine the eligibility of applicants for medical program benefits within 45 days of receipt of the application for benefits. Additionally, the Code (7 C.F.R. § 273.2(g)), *Office Operations and Application Processing*, requires DHS to determine the eligibility of applicants for SNAP benefits no later than 30 calendar days following the date the application was received. Furthermore, the Code (45 C.F.R. §206.10) requires DHS to determine the eligibility of applicants for TANF benefits within 45 days of receipt of the application.

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

Finding 2020-006 Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation (Continued)

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

Redeterminations

The Code (42 C.F.R. § 435.916(a)(1) and 7 C.F.R § 273.14), *Periodic Renewal of Medicaid Eligibility* and SNAP *Recertification*, requires the Departments to redetermine eligibility for SNAP, TANF, and medical programs every 12 months.

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

On March 26, 2020, the President of the United States signed into law the Families First Coronavirus Response Act which allowed States to systematically update certification dates for individuals receiving medical services, in order to ensure services continued. As such, HFS did not have a backlog of medical redeterminations as of June 30, 2020.

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

Untimely determination of eligibility, redetermination of eligibility and processing of change documentation is a violation of the Code. Failure to make timely determinations of eligibility could result in hardships for the applicants. Furthermore, failure to timely redetermine eligibility for benefits could result in the Departments paying benefits to ineligible individuals as well as then receiving federal financial participation in connection with those ineligible benefits paid. (Finding Code No. 2020-006, 2019-007, 2018-009, 2017-007)

Recommendation

We recommend management of the Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 or 30 days, as applicable. Furthermore, we recommend the Departments establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely along with any change documentation received.

Finding 2020-006 Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation (Continued)

Department of Human Services' Response

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

Department of Healthcare and Family Services' Response

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

Finding 2020-007 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

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

Change control is the systematic approach to managing changes to an IT environment, application, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

<u>IES Application Changes Policies and Procedures</u>
Based on our review of the April 20, 2020 IES Change Management Plan (Plan), we noted the Plan did not:

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

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

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

Finding 2020-007 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (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 that the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the 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 Organization of the Treadway Commission (COSO).

The 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) 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 security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-128, *Guide for Security-Focused Configuration Management of Information Systems*, states critical elements are to include:

- Developed and documented policies, plans, and procedures, and
- Properly authorized, tested, approved and tracking of all changes.

Furthermore, NIST, Special Publication 800-53, *Security and Privacy controls for Federal Information Systems and Organizations*, states policies and procedures should be in place detailing who can authorize modifications and how the authorizations are to be documented. Additionally, documentation of authorizations should be obtained prior to implementation.

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

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

Failure to establish and adhere to robust internal controls over changes to IES diminishes the Departments' ability to secure IES as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration. (Finding Code No. 2020-007, 2019-008, 2018-010, 2017-010)

Finding 2020-007 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)

Recommendation

We recommend management of both Departments work together to strengthen controls in the Change Management Policy and Procedure by including:

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

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

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review its Change Management policy and procedure to assure it meets the auditor recommendations regarding prioritization of changes, impact (numeric grading) designation, test scripts and results, impact analysis, design and other documentation. IDHS will also review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services (DHS) to review its Change Management policy and procedure to assure it meets the auditor recommendations. In addition, HFS will work with DHS to review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process.

Finding 2020-008 Inadequate Access Review Procedures for the Integrated Eligibility System (IES)

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 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 which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

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

- Evidence of timely affirmative responses from the regional monitors, noting IES access has been corrected and validated, was not tracked or documented.
- Validation was not retained showing required cleanups of access reviews were completed, except for manually reviewing month to month reports which is not documented.
- There is insufficient evidence retained to conclude the access review included a review of entitlements.

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

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) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, states an entity is to define within policies and procedures personal security transactions, establishment and termination of access, based on assessed risk of the entity's environment. Additionally, the U.S. Department of Health and Human Services' Security Rule adopted pursuant to the Health Information Portability and Accountability Act and published within the Code (45 C.F.R. § 164.308(a)(3)(ii)(C)), *Security and Privacy Controls for Federal Information Systems and Organizations – Administrative Safeguards*, requires the Departments to implement "procedures for terminating access to electronic protected health information when the employment of, or other arrangement with, a workforce member ends."

Finding 2020-008 Inadequate Access Review Procedures for the Integrated Eligibility System (IES) (Continued)

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

The Departments' failure to maintain adequate internal control over the review of user access rights increases the risk IES may be accessed by individuals who are not authorized to view sensitive information. (Finding Code No. 2020-008)

Recommendation

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

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

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. Late in Fiscal Year 2020, IDHS published on its OneNet additional details regarding the review and termination of IES access by the Regional Systems Monitors. Furthermore, IDHS will document procedures to include return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees to the access requested.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. Late in Fiscal Year 2020 the Department of Human Services (DHS) published, on its OneNet, additional details regarding the review and termination of IES access by the Regional Systems Monitors. Furthermore, DHS will document procedures to include a return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees to the access requested. HFS will amend its written policy and procedures to address the review of access rights to include a review of entitlements granted.

Finding 2020-009 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") lacked the ability to perform a full disaster recovery, and lacked adequate disaster recovery controls over 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 which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

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

In addition, the Department of Human Services' Disaster Recovery Plan (Plan) addresses the recovery and operation of IES. However, we noted the Plan did not include:

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

The 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 requirements to include contingency plans to meet critical processing needs in the event of short or long-term interruption of service.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, includes disaster recovery plans and the testing of disaster recovery plans as baseline security controls integral to ensuring appropriate security requirements and controls are applied to information systems.

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

The lack of an adequate DR Plan and the lack of functionality with which to perform full DR could result in the Departments' inability to recover IES data in the event of a disaster, which could be disastrous to recipients of benefits, the Departments, and the State. (Finding Code No. 2020-009, 2019-009)

Finding 2020-009 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) (Continued)

Recommendation

We recommend the Departments work with the Department of Innovation and Technology (DoIT) to allocate sufficient resources in order to provide the ability to fully recover IES in the event of a disaster. 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 recommend management of the Departments enhance the Disaster Recovery Plan to include:

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

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

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Innovation and Technology (DoIT) to complete the Information System Contingency Plan (ISCP) and conduct a tabletop disaster recovery exercise for IES to identify gaps for the improvement of the documented emergency procedures. IDHS will continue to work with DoIT to determine the requirements for obtaining resources to provide for the full recovery of IES. Additionally, IDHS is currently working with DoIT to complete the IES IT modernization Technical Refresh project, which includes a full build at the Alternate Data Center to facilitate IES disaster recovery capabilities and testing.

Department of Healthcare and Family Services' Response

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

Finding 2020-010 Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") entered into an interagency agreement (IA) with the Department of Innovation and Technology (DoIT) which did not define each agency's roles and responsibilities with respect to the Integrated Eligibility System (IES). Additionally, HFS and DHS entered into an IA which addressed IES access and data sharing, but the IA did not define each agency's roles and responsibilities with respect to 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 which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Departments' IES application and data resides on DoIT's environment. In addition, DoIT's staff is responsible for coordinating and making changes to the IES application and data. Furthermore, DoIT's staff assists the Departments with user access security. However, during testing we noted the Departments had not entered into an IA with DoIT documenting roles and responsibilities for each function they perform on the Departments' behalf.

Additionally, as set by the State of Illinois' State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State has designated agency responsibility for administering and supervising the administration of the Medicaid Program to HFS. However, Section 1.1 of the State Plan allows HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery). During our audit, we noted the Departments did not have a sufficient IA to define the specific IES roles and responsibilities for each agency.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (2 C.F.R. § 200.303), 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 Unites States or the "Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Finding 2020-010 Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES (Continued)

The National Institute of Standards and Technology (NIST), Special Publication 800-35, *Guide to Information Technology Security Services*, states as part of the life cycle in making IT security decisions to outsource services, the organization should document specific attributes of an acceptable service arrangement and levels of service.

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 State's resources.

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

The Departments' failure to execute the appropriate IAs increases the risk that IES functions will not be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2020-010, 2019-010)

Recommendation

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

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Healthcare and Family Services (HFS) and the Department of Innovation and Technology (DoIT) to implement an Intergovernmental Agreement (IGA) in regards to the IES roles and responsibilities.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services accepts the recommendation and is working to execute adequate agreements.

Finding 2020-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreement

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

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

As set forth in the State of Illinois' State Plan under Title XIX of the *Social Security Act* (State Plan) (Section 1.1), the State's designated agency responsible for administering and supervising the administration of the Medicaid Program is HFS. However, Section 1.1 of the State Plan also allows for HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities.

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

Interagency Agreements

The auditors noted DHS did not enter into or have an existing IA with HFS defining each agencies' roles and responsibilities as they related to IMPACT during fiscal year 2020.

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

Detail Sample Testing of DHS Providers

During testing, the auditors determined DHS did not utilize IMPACT as the official book of record or rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services to Medicaid recipients. Specifically, in fiscal year 2020, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. The provider or DHS' third party-service provider related to its personal support workers enter their information into IMPACT. Upon completion of procedures to determine the providers were eligible, DHS approves (certifies) the provider's file in IMPACT in order to grant approval for payment.

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

Finding 2020-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreement (Continued)

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

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

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

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

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

The Code of Federal Regulations (Code) (42 C.F.R. § 455.412 (a)), *Verification of provider licenses*, requires HFS and DHS to have a method for verifying that any provider claiming to be licensed in accordance with the laws of any State is licensed by such State. The Code (42 C.F.R. § 455.412 (b)) further requires the confirmation that a provider's license has not expired and that there are no current limitations on the provider's license/certification.

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 HFS and DHS to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the State of Illinois is managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions of the Federal award; 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 Organizations of the Treadway Commission (COSO).

The Code (42 C.F.R. § 431.17), *Maintenance of Records*, requires the HFS and DHS to maintain records necessary for the proper and efficient operations of the State's Medicaid Plan.

Finding 2020-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreement (Continued)

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires HFS and DHS to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable laws; (2) obligations and costs are in compliance with applicable laws; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and 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.

Inadequate internal controls over the operation of IMPACT, such as insufficient review and approval of provider enrollment information and required ongoing screenings, could result in providers being inaccurately deemed eligible and could therefore result in expenditures paid to providers who are ineligible. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statement or financial information. Additionally, using providers that could have documented criminal activity on their records, and/or an insufficient /expired license puts the recipients of Medicaid services at risk and decreases the State's ability to defend itself in a legal action. Further, failure to execute interagency agreements could expose the State to unnecessary and avoidable litigation. (Finding Code No. 2020-011, 2019-011, 2018-006)

Recommendation

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

Department of Human Services' Response

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

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services (DHS) to ensure provider applications and documentation are thoroughly reviewed at the initial enrollment and at revalidations. An interagency agreement was drafted on April 1, 2020 and is in the process of being finalized. DHS management stated dedicated inboxes will also be implemented to ensure that provider issues received from HFS are expeditiously addressed.

Finding 2020-012 Inadequate General Information Technology Controls over IMPACT

The Department of Healthcare and Family Services (HFS), the Department of Human Services (DHS), and the Department of Children and Family Services (DCFS) (collectively, the "Departments") failed to establish and maintain adequate general information technology internal controls (general IT controls) over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT).

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

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

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

Specifically, the Report did not document:

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

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

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

Finding 2020-012 Inadequate General Information Technology Controls over IMPACT (Continued)

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

User Access Control

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

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

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

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

The Code of Federal Regulations (Code) (42 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) projects under development, and operational systems involved in the administration of the U.S. Department of Health & Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

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: (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).

The National Institute of Standards and Technology (NIST), Security and Privacy Controls for Information Systems and Organizations', Access Control, Configuration Management, and System and Service Acquisition sections sanctions the development, implementation, and monitoring of internal controls over changes, access, and service providers.

Finding 2020-012 Inadequate General Information Technology Controls over IMPACT (Continued)

HFS' Employee Status Report review procedure states "Twice a month the Identity Management Unit (IMU) receives an Employee Status Report from the HFS' Division of Personnel. This report lists changes in employee job assignments. The report is reviewed by the IMU to identify accounts that need to be disabled."

Without having obtained and reviewed a SOC report, the Departments do not have assurance the service provider's internal controls over IMPACT, data and the infrastructure are adequate to protect from unauthorized changes and accidental and intentional destruction or alteration. Furthermore, the untimely termination of access rights and periodic review of access leave the Departments exposed to risk of unauthorized access. (Finding Code No. 2020-012, 2019-012, 2018-005)

Recommendation

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

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 data, and the infrastructure are adequate.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services accepts the recommendation.

Department of Children and Family Services' (DCFS) Response

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

Finding 2020-013 Lack of Census Data Reconciliation

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

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Department's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

1) The Department had not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate census data.

2) After establishing a base year, the Department had not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to the Department's internal supporting records.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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 permit the preparation of reliable financial and statistical reports.

Finding 2020-013 Lack of Census Data Reconciliation (Continued)

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

Failure to reconcile active members' census data reported to and held by SERS and CMS to the Department's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Department's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2020-013)

Recommendation

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

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Central Management Services (CMS) and the State Employee Retirement System (SERS) to develop an ongoing reconciliation process. In addition, IDHS will generate discrepancy reports to be analyzed by IDHS Payroll Staff and a plan to correct such discrepancies will be developed by partnering with SERS and CMS staff.

Prior Findings Not Repeated – *Government Auditing Standards*

A. <u>FINDING</u> (Weaknesses in Preparation of Year-End Department Financial Statements)

During the previous engagement, the Department of Human Services (Department) did not have adequate controls over the completeness and accuracy of year-end financial reporting. Specifically, we noted amounts recorded in the General Fund and Vocational Rehabilitation Fund as Due from Other Governments – Federal, for the Temporary Assistance for Needy Families grant was understated by $70.4 million and $4.3 million, respectively. Additionally, we noted Note 13 *Commitments and Contingencies*, pertaining to SNAP overpayment claims was overstated by $42 million.

During the current engagement, we noted no misstatements within the *Commitments and Contingencies* footnote amounts. However, we noted continuing issues with receivables reported for grant programs. For further details, see Finding No. 2020-003. (Finding Code No. 2019-003)

B. <u>FINDING</u> (Failure to Deposit Federal Funds According to Statute)

During the previous engagement, the Department did not comply with statutory requirements relating to depositing federal funds in accordance with the Mental Health and Developmental Disabilities Administrative Act. As a result, adjusting entries were necessary to correct the revenues and receivables in the Community Developmental Disability Services Medicaid Trust Fund (Fund 0142) and the Home Services Medicaid Trust Fund (Fund 0120).

During the current engagement, we noted the statutory amounts were deposited in Fund 0142 and Fund 0120 in accordance with the Mental Health and Developmental Disabilities Administrative Act. However, we noted additional noncompliance with statutory language pertaining to the deposit of monies for other federal grant programs in other State Treasury-held funds. For further details, see Finding No. 2020-003. (Finding Code No. 2019-004, 2017-028)

C. <u>FINDING</u> (Lack of Security Controls over 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 security controls over the Integrated Eligibility System (IES). The Departments were unable to provide a complete population of servers in which IES resides, and 70% of servers were running operating systems no longer supported by the vendor. In addition, 18% of servers were not being backed up. Finally, the Departments access provisioning polices did not sufficiently address policies over the termination of user access rights.

During the current engagement, we were provided a complete population of servers and we did not note any instances of servers not being backed up. However, we noted continuing issues with unsupported operating systems, and lack of policies over the termination of user access rights. For further details, see Finding No. 2020-002 and 2020-008. (Finding Code No. 2019-006, 2018-011, 2017-011)