State of Illinois
DEPARTMENT OF
CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2016
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2016
AND
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DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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AGENCY OFFICIALS

Director	George H. Sheldon (1/13/16 – present) George H. Sheldon – Acting (2/16/15 – 1/12/16) Dr. Cynthia L. Tate – Acting (1/20/15 – 2/15/15) Bobbie Gregg – Acting (through 1/19/15)
Chief of Staff	Laura Roche (1/1/17 – present) Carolyn Ross (1/5/16 – 12/31/16) Vacant (5/5/15 – 1/4/16) Denice Murray (through 5/4/15)
Deputy Chief of Staff	Alejandro Mateos (4/4/16 – present) Vacant (8/27/15 – 4/3/16) Erika LaCerda (through 8/26/15)
Chief Fiscal Officer	Matthew Grady III
Chief Legal Counsel	Lise T. Spacapan (8/4/15 – present) Michelle Jackson (7/1/14 – 8/3/15)
Acting Chief Internal Auditor	Denise Caldwell

Department administrative offices are located at:

406 East Monroe
Springfield, IL 62701

Illinois Department of
DCFS
Children & Family Services

Bruce Rauner
Governor

George H. Sheldon
Director

MANAGEMENT ASSERTION LETTER

April 19, 2017

Sikich LLP
132 S. Water Street, Suite 300
Decatur, Illinois 62523

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Department of Children and Family Services (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2016. Based on this evaluation, we assert that during the years ended June 30, 2015 and June 30, 2016, the Department has materially complied with the assertions below.

A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Children and Family Services

SIGNED ORIGINAL ON FILE

George H. Sheldon, Director

SIGNED ORIGINAL ON FILE

Matthew Grady III, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Lise T. Spacapan, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2016
AND
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COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	16	17
Repeated findings	11	13
Prior recommendations implemented or not repeated	6	3

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
2016-001	12	Incomplete child welfare files	Significant Deficiency and Noncompliance
2016-002	15	Child abuse and neglect determinations	Significant Deficiency and Noncompliance
2016-003	17	Initiation of investigations of child abuse and neglect	Significant Deficiency and Noncompliance

2016-004	19	Lack of reviews of internal controls over service providers	Significant Deficiency and Noncompliance
2016-005	21	Equipment leases not reported to Comptroller	Significant Deficiency and Noncompliance
2016-006	22	Lack of compliance with Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2016-007	23	Untimely approval of contracts	Significant Deficiency and Noncompliance
2016-008	24	Lack of documentation of monitoring of contracts	Significant Deficiency and Noncompliance
2016-009	25	Noncompliance with the State Services Assurance Act for FY2008	Significant Deficiency and Noncompliance
2016-010	26	Employee performance evaluations not performed	Significant Deficiency and Noncompliance
2016-011	27	Federal reimbursements not requested timely	Significant Deficiency and Noncompliance
2016-012	28	Accident reports not filed timely	Significant Deficiency and Noncompliance
2016-013	29	Noncompliance with Custody Relinquishment Prevention Act	Significant Deficiency and Noncompliance
2016-014	30	Noncompliance with the Abused and Neglected Child Reporting Act	Significant Deficiency and Noncompliance
2016-015	31	Failure to maintain Governor's Youth Services Initiative program	Significant Deficiency and Noncompliance
2016-016	32	Scholarship and waiver data not reported to the General Assembly	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	33	Lack of financial reporting review procedures
B	33	Noncompliance with Child Death Review Team Act
C	33	Contracts lack required subcontractor agreements

D	33	Inadequate property control procedures
E	33	Noncompliance with the Children and Family Services Act
F	34	Noncompliance with the Juvenile Court Act of 1987

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 12, 2017.

Attending were:

Department of Children and Family Services
George H. Sheldon, Director
Laura Roche, Chief of Staff
Matthew Grady III, Chief Fiscal Officer
Lise T. Spacapan, Chief Legal Counsel
Arricka Newingham, Associate Deputy Director
Diane Cottrell, Deputy, Permanency Operations
Janice Ranalletta, Audit Liaison
Derek Hobson, Deputy Directory, CAO
Joe McDonald, SPSA
Tammy Grant, Deputy Director, Personnel
Tyson Search, PSA, Personnel
Michael Ruppe, Senior Deputy Director of Operations
Roxanne Lizcano, Senior Deputy Director of Administration
Nora Harms-Pavelski, Deputy Chief of Child Protection

Sikich LLP
Tom Leach, Partner
Emma Walden, Supervisor
Samantha Bugg, Senior SOC Auditor

Office of the Auditor General
Adam Ausmus, Audit Manager
Kathleen Devitt, IT Audit Manager

The responses to the recommendations were provided by Matthew Grady III, Chief Fiscal Officer in a letter dated April 19, 2017.

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3201 W. White Oaks Dr., Suite 102
Springfield, Illinois 62704

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Children and Family Services' (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2016. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2016. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2016-001 through 2016-016.

Internal Control

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2016-001 through 2016-016, that we consider to be significant deficiencies.

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

The Department's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, 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

Decatur, Illinois
April 19, 2017

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3201 W. White Oaks Dr., Suite 102
Springfield, Illinois 62704

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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 Children and Family Services (Department), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated February 8, 2017.

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) to determine the 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Decatur, Illinois
February 8, 2017

2016-001. **FINDING** (Incomplete child welfare files)

The Department of Children and Family Services' (Department) Child Welfare and Foster Care and Intact Family Case files lacked required documentation and not all case procedures were performed timely.

In our sample of 30 child welfare case files managed by Department staff (CFS) and 30 child welfare case files managed by purchase of service (POS) contractors, we noted the following:

Case File Deficiency	Case File Requirement	Authority
30 of 60 (50%) Registration/Case Opening Forms (CFS 1410) were not completed timely. (15 POS - 1 to 20 days late) (15 CFS – 1 to 50 days late)	The CFS 1410, Registration/Case Opening Forms are to be completed within 24 hours of the case opening decision unless received from child protection, in which case it should be completed immediately by data entry staff.	DCFS Administrative Procedure #5 (Section 5.3)
13 of 60 (22%) Statewide Automated Child Welfare Information System (SACWIS) Risk Assessments were not completed timely. (7 POS – 1 to 390 days late) (6 CFS – 7 to 143 days late)	When child welfare staff are engaged in preliminary activities the SACWIS Risk Assessment is to be completed within 30 days of the case opening. The SACWIS Risk Assessment replaced the paper form CFS 1440 Family Assessment Worksheet.	DCFS Administrative Procedure #5 (Section 5.2(C))
54 of 60 (90%) Initial Service Plans were not completed timely. (26 POS – 3 to 223 days late) (28 CFS – 14 to 147 days late)	Initial Service Plans are to be completed within 30 calendar days of the case opening or placement.	DCFS Administrative Procedure #5 (Section 5.4)
56 of 60 (93%) Integrated Assessments were not completed timely. (27 POS – 6 to 221 days late) (29 CFS – 6 to 132 days late)	Integrated Assessment forms are to be completed within 30 calendar days of the case opening or placement.	DCFS Administrative Procedure #5 (Section 5.3)
3 of 60 (5%) children's pictures were not found in the case files or in SACWIS. (1 POS & 2 CFS cases)	Each case file must include a current photograph of the child for whom care is being provided.	DCFS Procedure 301.150
38 of 60 (63%) children's fingerprints were not indicated as being taken and maintained in SACWIS or in case files. (14 POS & 24 CFS cases)	The date the fingerprint is obtained must be included in SACWIS or related documentation should be in the case files.	DCFS Procedure 301.150, PT 2013.123

Case File Deficiency	Case File Requirement	Authority
5 of 60 (8%) Initial Placement Checklists (CFS 418- J) were not found in files. (5 POS cases)	Form CFS 418-J must be maintained for all children placed in substitute care to document any special needs of the child.	DCFS Policy Guide 2003.06
3 of 60 (5%) files lacked Permanency Planning Checklists (CFS 483) or Permanency Court Orders or Placement Agreements. (3 POS cases)	Form CFS 483 must be completed for children placed in substitute care meeting certain criteria. The form is used to determine whether reunification is still an appropriate goal or whether the child's current placement is an appropriate home for adoption or guardianship.	DCFS Administrative Procedure 315.330
3 of 60 (5%) Placement & Payment Authorization Forms (CFS 906) were not maintained in the case files. (3 POS cases)	Form CFS 906 must be completed and maintained in the case file and should include information concerning the child's placement status and other information critical to payment and approvals.	DCFS Administrative Procedure #5
37 of 60 (62%) Child Identification Forms (CFS 680) were not maintained in the case files. (15 POS & 22 CFS cases)	Form CFS 680 is one of three required components to required child identification information along with photos and fingerprints.	DCFS Procedure 301.150

Additionally, we utilized the administrative case reviews (ACR) from the same sample to test compliance with the Illinois Administrative Code's (89 Ill. Adm. Code 316.60) 21 day notification requirement. Our sample of 60 cases resulted in 103 ACRs, which generated 409 notifications to all parties involved. We noted the following:

- 321 notifications (78%) were sent at least 21 days prior to the ACR date as required.
- 47 letters (12%) were sent with less than 21 days notice.
- 41 letters (10%) were not sent for various reasons.

The Code (89 Ill. Adm. Code 316.60) and DCFS Administrative Procedure #5 require written notification of the date, time, place and purpose of the ACR be mailed to all parties involved 21 days in advance of the ACR meeting.

The Department stated that complexity of case file management and incomplete follow through of case procedures contribute to the issues identified.

Failure to follow established Department procedures, regulation and State law concerning welfare of children could result in inadequate care, unauthorized services or misuse of State funds. (Finding Code No. 2016-001, 2014-002, 12-2, 10-2, 08-2, 07-1, 06-1, 05-3, 04-2, 03-1, 02-2, 00-10, 99-5, 98-6)

RECOMMENDATION

We recommend the Department continue in its efforts to develop ways to automate various recordkeeping functions and that the Department follows the procedures established concerning the welfare of children. The fulfillment of those procedures should be adequately documented.

DEPARTMENT RESPONSE

The Department accepts the recommendation and will continue to stress the importance of adequate and timely documentation for all child and family cases. The Department continually updates written procedures as changes and requirements in case practices are identified, approved and adopted. Communications to caseworkers and supervisors take place through announcements on the Department's intranet and email, through notes to automated case recordkeeping releases, trainings, and written Policies, Procedures, and Administrative Procedures. All Policies, Procedures and Administrative Procedures are available through the Department's intranet and web site.

The requirement of photos and fingerprints is for the purpose of notifying law enforcement with a recent photo, and for fingerprints in particular for missing youth. Through a policy guide and statewide, regional and local meetings with staff, supervisors, and administrative staff, the Department will emphasize the importance of maintaining records on youth in care in accordance with policy.

To address the deficiencies in the areas of Medical & Dental Consent forms, Family Assessment Factor Worksheets, Initial Placement Checklists, Permanency Planning Checklists, and Placement & Payment Authorization Forms, regional management staff has been given the responsibility to implement monitor and review processes that will ensure that documents in case files are current. The status of this monitoring process is discussed in weekly meetings with regional management staff and during quarterly meetings with all supervisors/program managers.

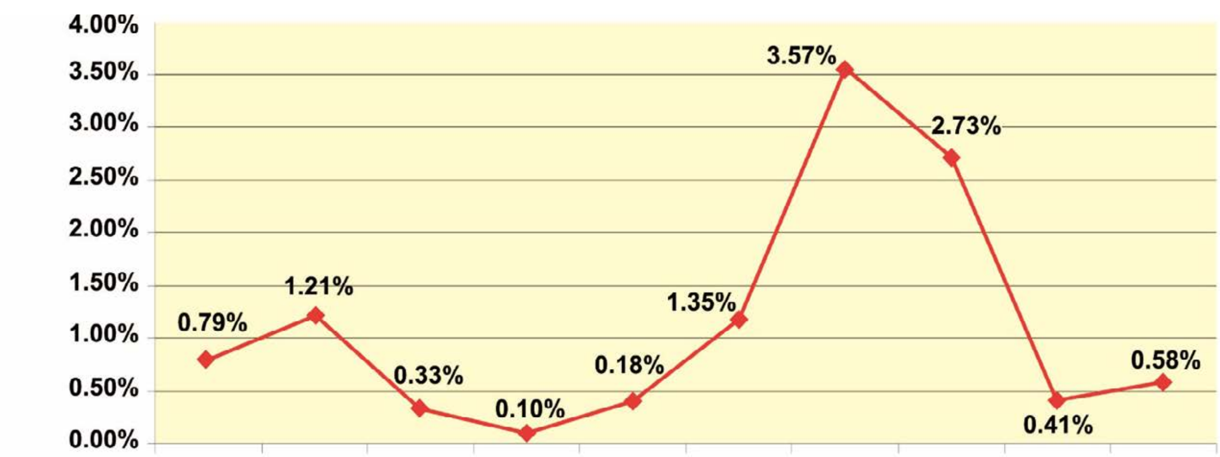
DCFS has released policy guide revisions and will continue to review current guidelines to ensure that Initial Service Plans and Integrated Assessments are completed timely. The policy guides will be discussed at statewide, regional and local levels. To address the issuance of timely notices regarding administrative case reviews, the Department is reviewing the details and identifying circumstances surrounding the timing. As the review progresses, any changes to rule, procedure, or practice that may be needed will be initiated.

2016-002. **FINDING** (Child abuse and neglect determinations)

The Department of Children and Family Services (Department) did not make timely determinations in 444 of the 77,052 (0.58%) and in 279 of the 67,714 (0.41%) reports of child abuse and neglect referred to the Department during fiscal years 2016 and 2015, respectively, of whether the reports were "indicated" or "unfounded" as required by the Abused and Neglected Child Reporting Act.

The Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.12) requires the Child Protective Service Unit to determine, within 60 days, whether a report is "unfounded" or "indicated". It further provides the Department may extend, for up to an additional 30 days, the period in which individual cases are determined. Reasons for which the determination period may be extended include but are not limited to the following circumstances (89 Ill. Adm. Code 300.110): a) State's attorneys or law enforcement officials have requested that the Department delay making a determination due to a pending criminal investigation; b) medical or autopsy reports needed to make a determination are still pending after the initial 60 day period; c) the report involves an out-of-state investigation and the delay is beyond the Department's control; or d) multiple alleged perpetrators or victims are involved necessitating more time in gathering evidence and conducting interviews.

The Department's Monitoring/Quality Assurance Division compiles statistics to track reports that are not determined to be either "unfounded" or "indicated" in compliance with the Act (within 60 days of receipt of the report, or within 90 days if a 30 day extension is permitted). Following is a summary of those statistics:



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Reports Requiring Determinations	67,732	67,831	68,716	67,051	63,023	65,499	66,918	67,705	67,714	77,052
Determinations Not in Compliance	538	819	229	68	115	884	2,386	1,846	279	444

The Department stated that it recognizes the importance of making timely determinations in child abuse and neglect reports. However, it also recognizes the importance of completing a thorough investigation and working in conjunction with law enforcement agencies who may have concurrent investigations.

Failure to make timely determinations of reports of abuse and neglect could delay the implementation of a service plan and result in further endangerment of the child and is a violation of the Act. (Finding Code No. 2016-002, 2014-003, 12-3, 10-3, 08-3, 07-2, 06-2, 05-4, 04-5, 03-2, 02-3, 00-8, 99-11, 98-10)

RECOMMENDATION

We recommend the Department determine reports of child abuse or neglect in compliance with the timeframe mandated by the Abused and Neglected Child Reporting Act.

DEPARTMENT RESPONSE

The Department accepts the recommendations and will continue to make all efforts to determine 100% of reports of child abuse and neglect within the timeframe mandated by the Abused and Neglected Child Reporting Act. The Department regularly analyzes data related to the causes of untimely determinations and makes a focused effort to remedy the issues found and to monitor the determination rate.

Staffing levels continue to be a challenge for the Department. As staff numbers decrease and the resulting number of caseloads rise, timely determination of cases is impacted. Over the past fiscal year, the Department has made diligent efforts to increase the pool of qualified candidates for child protection investigator positions. Those efforts include an expansion of eligible degrees, special grading sessions through Central Management Services to review applications, and heightened recruitment activities to secure qualified candidates. In addition, vacancies are reviewed monthly and filled quickly. The result of these efforts has been positive and vacant investigative positions are decreasing.

With manageable caseloads, staff can better focus on the timely determination and completion of cases as mandated by the Abused and Neglected Child Reporting Act. Administration continues to monitor cases for timeliness and is addressing performance issues as they are identified. The Department recognizes the importance of meeting 100% compliance with this timeframe and remains committed to attaining this goal.

2016-003. **FINDING** (Initiation of investigations of child abuse and neglect)

The Department of Children and Family Services (Department) did not timely initiate an investigation for 332 of the 78,383 (0.42%) reports of child abuse and neglect in fiscal year 2016, and for 144 of the 67,708 (0.21%) reports in fiscal year 2015.

The Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.4(b)(2)) requires child abuse and neglect investigations "be commenced within 24 hours of receipt of the report." The Department's Monitoring/Quality Assurance Division compiles statistics and reports on instances of noncompliance with the Act, based on data extracted from the Department's data warehouse and the Department's Statewide Automated Child Welfare Information System (SACWIS). These reports are a summary of activity entered into SACWIS by the field offices. Department supervisors conduct weekly manual reviews of the reports of child abuse and neglect to monitor whether all investigations are initiated timely and in compliance with the Act. The Monitoring/Quality Assurance Division has compiled the following statistics:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Investigations	67,766	67,951	68,732	67,377	63,011	65,963	66,891	67,720	67,708	78,383
Investigations Not in Compliance	179	112	83	97	116	274	147	179	144	332

According to Department personnel, noncompliance occurs when staff record the wrong initiation time and date when entering data, there is a computer system malfunction, or through worker performance issues.

Failure to respond to a report of abuse or neglect within 24 hours could result in further endangerment to the child and is a violation of the Act. (Finding Code No. 2016-003, 2014-004, 12-4, 10-4, 08-4, 07-3, 06-3, 05-5, 04-6, 03-3, 02-4, 00-7, 99-10, 98-9)

RECOMMENDATION

We recommend the Department continue to strive to initiate investigations of all child abuse and neglect reports within 24 hours of receiving the report as mandated by the Abused and Neglected Child Reporting Act.

DEPARTMENT RESPONSE

The Department accepts the recommendation and continues to make all efforts to attain 100% compliance with the statute to initiate all reports of child abuse and neglect within twenty four hours. The Department recognizes the importance of ensuring child safety and well-being and will maintain the goal to initiate all reports of child abuse and neglect within the 24 hour mandate.

Staffing levels continue to be a challenge for the division of child protection as vacancies increased while qualified candidates for child protection investigators positions decreased. As average caseloads increased, the 100% compliance goal of initiating new reports in 24 hours also increased slightly. The Department has taken major steps over the past year to increase the pool of eligible candidates to include additional expanded degrees which will qualify, special grading sessions with Central Management Services to review applications, and enhanced recruitment activities for qualified candidates by the Division of Employee Services. Vacancies are reviewed monthly and filled quickly as candidates are identified.

The Department remains diligent in ensuring manageable child protection caseloads and focusing efforts on timely data entry, the reduction of data entry errors, and addressing performance issues as they occur.

2016-004. **FINDING** (Lack of reviews of internal controls over service providers)

The Department of Children and Family Service (Department) did not obtain Service Organization Control (SOC) reports or conduct independent internal control reviews of outsourced information systems controlled by external parties.

The Department utilized multiple applications developed and hosted by external service providers. These include applications to track client referred services, searching for individuals associated with a minor who are behind on child support, identifying issues that would prohibit someone from obtaining a license, containing Medicaid billing information, and foster care placements.

The Department did not obtain SOC Reports or conduct independent internal control reviews of the external providers. In addition, the agreement between the Department and the external service providers did not require an independent review to be completed.

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. This responsibility is not limited because the process is outsourced.

The Department stated there are limited resources available to administer these reviews. In addition, they lack the authority to perform these reviews because the current agreements do not require them or dictate consequences of not completing the review.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall 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.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the external service providers' internal controls ensure applications are adequate and secure. (Finding Code No. 2016-004)

RECOMMENDATION

We recommend the Department obtain or perform independent reviews of internal controls associated with outsourced systems. 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.

The Department should review the report, assess the effect of any noted deficiencies, and identify and implement any compensating controls. The Department's reviews and corrective actions taken by the service provider should be documented and maintained.

The Department should also include provisions for an internal controls review in the agreements with service providers.

DEPARTMENT RESPONSE

The Department accepts the recommendation and stated they will send a Security and Privacy Controls Questionnaire (SPCQ) to all providers of outsourced systems.

The Department will review the questionnaire, assess the effect of any noted deficiencies, and identify and implement any compensating controls. The Department's reviews and corrective actions taken by the service provider should be documented and maintained.

The Department of Innovation and Technology (DoIT) is developing policies dictating provisions for internal controls in the agreements with service providers. The department will include those controls in all agreements with service providers.

2016-005. **FINDING** (Equipment leases not reported to Comptroller)

The Department of Children and Family Services (Department) did not complete form SCO-560, Accounting for Leases-Lessee, for all items of leased property with a fair market value (FMV) greater than $5,000.

During our property and equipment testing, we reviewed a sample of Department leases for copiers. We noted a master contract that included a listing of equipment leased by the Department, and there were six copier models with a unit price in excess of $5,000 described in the master contract. Furthermore, the total lease payments for each of those six models exceeds $10,000 (over the three-year life of the lease). We noted 112 of these copier models being leased by the Department in fiscal year 2016. However, the Department did not complete or submit forms SCO-560 to report this information to the Office of the Comptroller (Comptroller).

The Statewide Accounting Management System (SAMS) (Procedure 27.20.60) requires the Department complete a form SCO-560 for each piece of equipment leased under a multiple period lease in which the asset being leased has a fair market value greater than $5,000. Form SCO-560 includes a variety of information concerning the lease terms and is used to aid in the determination of whether disclosure or capitalization of the lease in the State's financial statements is required.

The Department stated the identified issues were due to employee error and lack of understanding of the requirements.

Failure to provide the Comptroller with lease information via form SCO-560 can impede the Comptroller in the preparation of the Statewide financial statements and is noncompliance with SAMS. (Finding Code No. 2016-005)

RECOMMENDATION

We recommend the Department complete and submit form SCO-560, Accounting for Leases-Lessee, as required by SAMS.

DEPARTMENT RESPONSE

The Department agrees with the recommendation and plans to complete preparation and review of all required forms SCO-560 by May 31, 2017.

2016-006. **FINDING** (Lack of compliance with Fiscal Control and Internal Auditing Act)

The Department of Children and Family Services (Department) did not fully comply with the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003).

The Department's Office of Internal Audits (OIA) did not complete audits of major modifications of two existing systems before their installation. The Statewide Automated Child Welfare Information System (SACWIS) had several major changes with release dates ranging from May 2015 through July 2016, and the Adoption and Foster Care Analysis and Reporting Systems (AFCARS) underwent significant modifications in May 2015. Both applications are deemed by the Department as critical to the business of child welfare. The Department could not provide documentation of reviews of any of these computer system modifications before they were placed into production during the engagement period.

The Act requires the internal auditing program include reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Department officials stated the lack of audits was due to a necessity to prioritize other Department audits as a result of limited resources.

The lack of independent reviews of major new systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. (Finding Code No. 2016-006, 2014-007)

RECOMMENDATION

We recommend the Department comply with the Act and ensure the internal auditing program include reviews of major modifications to existing systems.

DEPARTMENT RESPONSE

The Department concurs. The Office of Internal Audits has an Auditor In-Charge starting May, 2017, which will assist the Department in compliance with the Act, to include reviews of major modifications to existing systems.

2016-007. **FINDING** (Untimely approval of contracts)

The Department of Children and Family Services (Department) did not have fully approved contracts prior to commencement of services.

During our review of a sample of 80 contracts, totaling $84.2 million, we noted that 34 contracts (43%) had a final signature date from 1 to 244 days after the effective start date of the contract. Consequently, services were performed prior to final execution of these contracts.

As noted in the Department's Code of Regulations (89 Ill. Adm. Code 357.110), "purchase of service providers under contract to the Department must comply with Federal and State laws and regulations and Department rules. When the provider signs the purchase of service contract, this signature shall be the provider's certification of compliance with the applicable laws, regulations, and rules." It is prudent business practice to require contracts to be signed by all parties prior to the commencement of services. In addition, the standard contracts utilized by the Department in procuring these services include the following terms:

1. Section 3.1.2: Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract.
2. Section 4.1.4: Pre-Contract Costs: The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.

The Department stated that due to delays in budget negotiations regarding appropriations, the Department could not send out the contracts to the providers until mid-June, making it difficult to obtain contracts signed by all parties prior to effective start dates.

Failure to obtain signed contracts before the beginning of the contract period does not bind the parties to comply with applicable laws, regulations, and rules and may result in improper and unauthorized payments. (Finding Code No. 2016-007, 2014-008, 12-9, 10-6, 08-6, 07-5, 06-5, 05-7, 04-7, 03-5, 02-7)

RECOMMENDATION

We recommend the Department ensure all contracts are approved and signed before the beginning of the contract period.

DEPARTMENT RESPONSE

The Department accepts the recommendations and agrees that it is prudent to ensure all contracts are approved and signed before the beginning of the contract period.

Contracts subject to the Procurement Code are executed prior to service delivery. However, Purchase of Care contracts are specifically exempted from the Procurement Code because of the need to provide services to children in care, or prevent a disruption of those services, circumstances do not always allow time for a contract to be executed prior to the start of those services. The B.H Consent Decree requires the Department to continue services to youth in care and any disruption of service would be considered violation(s) of the court order. In addition, lack of a timely budget prevents the Department from obtaining required signatures prior to the start of the fiscal year.

The Department is committed to reducing the number of contracts where services are provided prior to the date of the final signature.

2016-008. **FINDING** (Lack of documentation of monitoring of contracts)

The Department of Children and Family Services (Department) did not adequately document monitoring of provider agencies for compliance with contract terms.

The Department could not provide documentation demonstrating monitoring had occurred as specified in the contracts for 4 of 30 (13%) contracts totaling approximately $3.8 million tested from the awards and grant appropriations.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State Agencies to establish and maintain internal controls to ensure State resources are used efficiently and are safeguarded against loss. All of the contracts tested contained contract language requiring fiscal and program monitoring by the Department. The Department's performance of the monitoring should result in and be documented by the Department utilizing a monitoring report with corrective action plans when necessary. At a minimum, the Department should conduct on-site monitoring reviews of providers' services and performance, including reviews of all documentation maintained which support charges billed.

The Department indicated that issues related to contract monitoring were due to inadequate staffing levels in the Central Region.

Failure to monitor performance of contracted services could lead to overpayments and payments for services not performed in accordance with contract terms and requirements. Thorough fiscal and administrative monitoring, including reviews of provider billing support and documenting that service delivery is in accordance with program plans and performance goals, is an essential oversight responsibility of the Department. (Finding Code No. 2016-008, 2014-009, 12-7)

RECOMMENDATION

We recommend the Department perform and document adequate monitoring on all contracts to ensure contract payments are for services received and that program plans and performance goals are achieved.

DEPARTMENT RESPONSE

The Department accepts the recommendations and agrees that contract monitoring is an essential oversight responsibility of the Department.

The Department has addressed staffing concerns by appointing a new Chief Accountability Officer, appointing a new Deputy Director of the Office of Contract Administration, and filling supervisory positions in regional Office of Contract Administration units.

In addition to addressing staffing concerns, the Department plans to evaluate the need for additional or revised monitoring training; to reinforce the importance of keeping the Program Monitor information current and up to date; to create an automated error report from the Monitoring Database which will identify those contracts that have fallen behind with the required activities, to review the results of monitoring activity as entered into the Monitoring Database, and to discuss those result/error reports with Exec Staff at regular Deputy Meetings.

2016-009. **FINDING** (Noncompliance with the State Services Assurance Act for FY2008)

The Department of Children and Family Services (Department) did not increase and maintain the number of bilingual staff as required by the State Services Assurance Act for FY2008 (Act) (5 ILCS 382/3-15).

The Act required that on or before July 1, 2008 the Department increase the number of bilingual on-board frontline staff by 40 over the levels that it maintained on June 30, 2007. The Act also requires the Department to maintain its bilingual staff at the increased level.

At June 30, 2007 the Department had 154 bilingual frontline staff. Therefore, it is required by the Act to maintain a bilingual staffing level of 194. However, the Department's number of bilingual staff on June 30, 2016 was 161.

Department officials stated the number of children in care has dramatically decreased over the years, which has resulted in a reduction in the total number of Department staff as well as staff needed to manage case loads. In addition, Department officials stated that turnover and budget constraints have made it difficult to increase bilingual staff.

Because the Department has not increased and maintained its level of bilingual staff, it is in noncompliance with the Act. (Finding Code No. 2016-009, 2014-006, 12-16, 10-12)

RECOMMENDATION

We recommend the Department comply with the Act or, alternatively, if determined that the bilingual staffing level required by the Act is not representative of its needs, seek a legislative remedy to the statutory requirement.

DEPARTMENT RESPONSE

The Department accepts the recommendation and continues to increase the number of bilingual direct service staff. As of March 31, 2017, the Department has filled 178 positions towards its goal of 194 bilingual direct service staff. Latino Services is aggressively working with the Office of Employee Services in attending recruitment events and, along with the Office of Communications, communicating the need for bilingual staff. Department of Central Management Services has greatly improved its application grading process and time notification to applicants and the Director has requested that pending DCFS applications be given priority for grading.

2016-010. **FINDING** (Employee performance evaluations not performed)

The Department of Children and Family Services (Department) did not complete annual performance evaluations on a timely basis.

Upon review of 30 personnel files for each fiscal year, we determined 8 out of 30 (27%) employees did not receive evaluations in fiscal year 2015 and 8 out of 30 (27%) employees did not receive evaluations in fiscal year 2016.

Personnel rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270) require performance records to include an evaluation of employee performance prepared by each agency not less than annually. Annual evaluations support administrative personnel decisions by documenting regular performance measures.

Department personnel stated that supervisors do not complete evaluations timely due to other priorities.

Employee performance evaluations are an effective management tool for helping employees work toward common goals. Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations. (Finding Code No. 2016-010, 2014-015, 12-11, 10-11, 08-15)

RECOMMENDATION

We recommend the Department enforce the existing policies regarding timely completion of performance appraisals and ensure evaluations are properly documented and maintained in employee personnel files.

DEPARTMENT RESPONSE

The Department agrees that evaluations should be performed timely and acknowledges that timely annual evaluations for all certified employees are necessary. Management will work towards improving its efforts to meet the requirements of the Illinois Administrative Code related to evaluations.

The Department has implemented a tickler system that notifies the appropriate supervisor/manager when an evaluation will soon be due and when it is overdue. In addition, submitting timely evaluations is considered a performance objective for all supervisors and managers. Compliance with this objective is tracked and monitored as failure to do so is an indication of poor management and should be reflected in supervisor and manager performance evaluations.

2016-011. **FINDING** (Federal reimbursements not requested timely)

The Department of Children and Family Services (Department) did not timely request reimbursement of federally supported programs.

The Department participated in approximately 24 federally supported programs in fiscal year 2016. Of the 24 programs, 4 (17%) of these had receivables at the end of the fiscal year that were 70% or greater than the year's total reimbursable costs. Listed below is a breakdown of prior year receivables, current year reimbursable costs, amount received in the current year, and end of the year receivables for those 4 grants (amounts in thousands):

Grant ID	PY Receivable	CY Reimbursable Costs	CY Receipts	CY Receivable	CY Receivable as a % of CY Reimbursable Costs
1127	$7,589	$10,124	$10,119	$7,594	75%
1130	$7,609	$14,495	$12,016	$10,088	70%
1133	$4,109	$5,435	$0	$9,544	176%
1134	$1,328	$1,762	$0	$3,090	175%

The Illinois State Collection Act of 1986 (30 ILCS 210/3) states that it is the responsibility of each State agency to timely collect amounts owed to that agency. Good cash management practices require that monies owed the State be requested in a timely manner.

According to Department personnel, the Department focused on drawing down older receivables in the larger (major) programs first. Smaller, non-major program funds are drawn down after the receivables in the major programs are exhausted.

Delays in collecting monies owed to the Department deprive the State of available cash resources with which to administer operations and programs. (Finding Code No. 2016-011, 2014-12, 12-10)

RECOMMENDATION

We recommend the Department comply with the Illinois State Collection Act of 1986 by requesting earned federal reimbursements more timely.

DEPARTMENT RESPONSE

The Department agrees with the recommendation. The Department is in the process of reviewing cash management procedures related to federal grants and will make changes to ensure federal reimbursements are requested more timely.

2016-012. **FINDING** (Accident reports not filed timely)

Department of Children and Family Services (Department) employees failed to timely file accident reports.

During the examination period, Department employees were involved in 12 accidents while on official State business. We noted 4 of the 12 (33%) related accident reports were not filed with the Department of Central Management Services (DCMS) within 7 days. The reports ranged from 1 to 19 days late.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.520(i)) and the DCMS Vehicle Guide (Guide) require all accidents to be reported to DCMS within 7 calendar days after the accident.

Department officials stated that although employees are notified of the 7-day reporting requirement, employees involved in accidents while on official State business erred by failing to complete reports timely to DCFS to allow timely submission to DCMS.

Untimely submission of accident reports could delay an investigation, impair the State's ability to defend itself against claims, or delay settlement of claims made against the State. (Finding Code No. 2016-012, 2014-016, 12-15)

RECOMMENDATION

We recommend the Department ensure employees' accident reports are submitted to DCMS within 7 calendar days of accidents, as required by the Code and Guide.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Office of Administrative Services will continue to submit accident reports to Central Management Services upon receipt of the report from the employee within 7 calendar days of the accident as required by Code and Guide. The Office of Administrative Services will do due diligence to notify an employee on the date that this office is notified of an accident while on state duty and submit forms to Central Management Services upon receipt of form from employee. The Office of Administrative Services is also setting up dual notification from and to the Office of Payroll/Workers Compensation to notify each other when notification is received from an employee of an accident related incident.

2016-013. **FINDING** (Noncompliance with Custody Relinquishment Prevention Act)

The Department of Children and Family Services (Department) did not submit an annual report to the General Assembly, as required by the Custody Relinquishment Prevention Act (Act) (20 ILCS 540/20).

The Act, which became effective January 1, 2015, requires the Department to submit an annual report to the General Assembly on a) the number of children and youth who were relinquished to the Department for purposes of receiving treatment for their serious mental illness or emotional disturbance and b) the length of treatment and status of the children and youth at the termination of services. Also, pursuant to the Act the Department entered into an interagency agreement with the Department of Human Services, the Department of Healthcare and Family Services, the Illinois State Board of Education, the Department of Juvenile Justice and the Department of Public Health for the purpose of preventing children and youth who are not otherwise abused or neglected from entering the custody or guardianship of the Department solely for the purposes of receiving services for a serious mental illness or serious emotional disturbance.

The interagency agreement requires submission of a report to the General Assembly that includes: the number of children and youth who were intercepted to prevent custody relinquishment and the services they were connected with to prevent custody relinquishment and to stabilize the child; the duration of the services received; and, the number of families that failed to stabilize and turned to the Department for services, and that relinquished custody.

As of the date of our fieldwork procedures, October 26, 2016, the Department had not submitted either required annual report to the General Assembly. Subsequently, a report to the General Assembly was filed February 27, 2017, stating the interagency agreement was fully executed on April 19, 2016. Several steps have been completed to implement the program. The Department stated in the report a final implementation strategy has been agreed upon, with a goal of launching the program by April 2017. This filed report did not contain the required information noted above due to the program not yet being fully implemented.

Department personnel stated that, although there had been many meetings with all agencies involved in the interagency agreement, the agreement had not been fully implemented.

Failure to provide the General Assembly the annual reports required by the Act denies the General Assembly information concerning outcomes of children and youth with serious mental illness or emotional disturbance. Additionally, failure to provide the annual reports is noncompliance with the Act. (Finding Code No. 2016-013)

RECOMMENDATION

We recommend the Department ensure annual reports required by the Act are timely prepared and filed with the General Assembly.

DEPARTMENT RESPONSE

The Department accepts the recommendation and filed the required reporting with the General Assembly in April, 2017. In order to ensure that reports are timely prepared and filed in the future, the DCFS Legislative Office will schedule and send notifications to the unit that prepares the required reports prior to their due dates.

2016-014. **FINDING** (Noncompliance with the Abused and Neglected Child Reporting Act)

The Department of Children and Family Services (Department) did not timely submit annual reports as required by the Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.3c).

The Department did not timely submit an annual report to the General Assembly or Governor documenting the case management protocols and the program's effectiveness in fiscal year 2015 or 2016. The fiscal year 2015 and 2016 reports were submitted February 2017.

The Act requires the Department, with the Department of Human Services, to develop a community based system of integrated child welfare and substance abuse services for the purpose of providing safety and protection for children, improving adult health and parenting outcomes, and improving family outcomes. The Department, in cooperation with the Department of Human Services, shall develop case management protocols for Department clients with substance abuse problems and shall evaluate the effectiveness of these pilot programs and report to the Governor and the General Assembly on an annual basis.

Department personnel stated the failure to file the reports on a timely basis was due to employee error.

In our prior examination, we noted the Department had not entered into an interagency agreement with the Secretary of State to establish a procedure by which employees of the Department may have immediate access to driver's license records maintained by the Secretary of State as required by the Act. During the current examination, the Department and the Secretary of State executed an interagency agreement to enable access as required by the Act.

Timely submission of annual reports to the General Assembly and Governor is necessary for compliance with the Act and provides information on the effectiveness of pilot programs initiated. (Finding Code No. 2016-014, 2014-017, 12-13)

RECOMMENDATION

We recommend the Department timely submit annual reports on the effectiveness of the community based system of integrated child welfare and substance abuse services as required by the Act.

DEPARTMENT RESPONSE

The Department accepts the recommendation and the required reports for 2015 and 2016 were filed in February, 2017. In order to ensure that reports are timely prepared and filed in the future, the DCFS Legislative Office will schedule and send notifications to the unit that prepares the required reports prior to their due dates.

2016-015. **<u>FINDING</u>** (Failure to maintain Governor's Youth Services Initiative program)

The Department of Children and Family Services (Department) did not maintain a Governor's Youth Services Initiative Program to provide assistance to multi-problem youth.

The Children and Family Services Act (Act) (20 ILCS 505/17a-11) requires the Department, in cooperation with the Department of Juvenile Justice, the Department of Human Services, and the Illinois State Board of Education, to establish the Governor's Youth Services Initiative. This program shall offer assistance to multi-problem youth whose difficulties are not the clear responsibility of any one State agency. Further, the Act requires a policy board be established for decision-making, which shall meet at least quarterly.

Although we noted that rules had been promulgated concerning the initiative (89 Ill. Adm. Code 311), Department personnel were unable to identify the current existence of the program or any activity related thereto.

The Department stated that, as set forth in the Act, the decision to establish and to maintain an initiative program shall be based upon the availability of program funds and the overall needs of the service area. No funds were appropriated to fund this initiative in fiscal years 2015 or 2016.

Failure to maintain the Governor's Youth Services Initiative may impede the development of initiative programs in densely populated areas of the State to meet the needs of multi-problem youth and represents noncompliance with the Act. (Finding Code No. 2016-015)

<u>RECOMMENDATION</u>

We recommend the Department review the requirements concerning the Governor's Youth Services Initiative and take appropriate measures to implement initiatives to accomplish the intended purposes as outlined in the Act.

<u>DEPARTMENT RESPONSE</u>

The Department accepts the recommendation and will attempt to identify monies to either fund the program or take steps to eliminate the requirement.

2016-016. **FINDING** (Scholarship and waiver data not reported to the General Assembly)

The Department of Children and Family Services (Department) did not provide to the General Assembly information on outcomes related to scholarships received by youth.

The Children and Family Services Act (Act) (20 ILCS 505/8) directs the Department to annually select a minimum of 53 students to receive scholarships and fee waivers to enable the youth to attend and complete their post-secondary education. In connection with this initiative, the Department is to annually collect data and report to the General Assembly on the measures of success of this effort. However, during our examination period the Department had not filed a report with the General Assembly as required by the Act.

The Department stated that the failure to submit the referenced reports on a timely basis was due to employee error.

Failure to report the data required by the Act denies the General Assembly information on outcomes with which to make informed decisions and evaluations of the effectiveness of scholarships and fee waivers, and is noncompliance with the Act. (Finding Code No. 2016-016)

RECOMMENDATION

We recommend the Department annually report on the measures of success of providing youth with scholarships and fee waivers as required by the Act.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The required reports for fiscal years 2015 and 2016 were filed with the General Assembly in April, 2017. In order to ensure that reports are timely prepared and filed in the future, the DCFS Legislative Office will schedule and send notifications to the unit that prepares the required reports prior to their due dates.

PRIOR FINDING NOT REPEATED

A. FINDING (Lack of financial reporting review procedures)

During the previous audit of the Department's financial statements, instances were identified in which beginning of year balances were not correct, which required adjustments totaling a net amount of $4.058 million, to properly reflect the fiscal year 2014 income and expense.

During the current audit, material misstatements in the Department's financial statements were not noted. (Finding Code No. 2014-001, 12-1, 10-1, 08-1)

B. FINDING (Noncompliance with Child Death Review Team Act)

During the previous examination, the Department's child death review teams did not complete required reviews of child deaths in accordance with timeframes established by the Child Death Review Team Act.

During the current examination, we noted significant improvement in the timeliness of the completion of reviews of child deaths. As a result, the finding has been reported in the Letter of Immaterial Findings. (Finding Code No. 2014-005, 12-5, 10-5, 08-10)

C. FINDING (Contracts lack required subcontractor agreements)

During the previous examination, not all of the Department's contractual services and award and grant contract agreements contained required subcontractor agreements or related subcontractor standard certifications.

During the current examination, our sample testing did not identify any contracts that were missing required subcontractor information. (Finding Code No. 2014-010)

D. FINDING (Inadequate property control procedures)

During the previous examination, inconsistencies and a lack of adequate procedures over the Department's property control was noted. The Department did not: reconcile additions in its internal property inventory listing to the Comptroller's record of purchase; properly account for transfers from the Capital Development Board (CDB); and did not utilize the most current C-15 form required by the Comptroller.

During the current examination, our sample testing indicated the Department properly accounted for the CDB transfer and utilized the current form of the C-15 required by the Comptroller. Also, we noted the Department had reconciled property additions. (Finding Code No. 2014-011, 12-8, 10-7)

E. FINDING (Noncompliance with the Children and Family Services Act)

During the previous examination, the Department was unable to provide documentation that it had, in cases where a sibling of a child had been adopted, made an effort to locate the adoptive parents or guardians of the sibling and inform them of the availability of the child for adoption. The Department was also unable to provide, in cases where it was determined that it was not in the child's best interest to be placed with a sibling's adoptive parents, documentation of the reasons for this determination.

During the current examination, the Department promulgated rules addressing the development and preservation of sibling relationships. The Department developed the Illinois Foster Child and Youth Bill of Rights, which outlines the rights and responsibilities related to sibling relationships. The Department also provided various other information documenting compliance with the requirements concerning sibling adoptions and contact required by the Children and Family Services Act (20 ILCS 505/7.4). (Finding Code No. 2014-013)

F. <u>FINDING</u> (Noncompliance with the Juvenile Court Act of 1987)

During the previous examination, the Department's Guardianship Administrator did not file sibling placement and contact plans with the court within 10 days after the appointment as executive temporary custodian. A proposed Rule was in the development process, but was not completed during the prior testing period.

During the current examination, the Department created Rules and Procedures to support the requirements of the Juvenile Court Act of 1987, and our sample testing did not note exceptions with respect to filing sibling placement and contact plans with the court. (Finding Code No. 2014-014)

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

STATUS OF MANAGEMENT AUDIT
For the Two Years Ended June 30, 2016

SEARCH FOR MISSING CHILDREN

The Illinois Office of the Auditor General conducted a management audit of the Illinois Department of Children and Family Services (Department or DCFS) search for missing children pursuant to House Resolution Number 120. The audit was released in December 2014 and contained nine recommendations to the Department. As part of the compliance examination for the two years ended June 30, 2016, auditors followed up on the status of the recommendations.

Recommendation 1 - Total Number of Missing Wards

Recommendation:
DCFS should report the number of missing wards annually to its management, as well as other information which may be needed for management to effectively carry out its responsibilities regarding missing children.

Status:
This recommendation is implemented. Beginning September 2015, the Department reported the number of missing wards monthly to its management.

Recommendation 2 – CFS 906 Form

Recommendation:
DCFS should prevent overpayments by ensuring that CFS 906 forms are completed, submitted, and entered in a timely manner.

Status:
This recommendation is partially implemented. We reviewed the initial CFS 1014, Child Runaway form, in the Statewide Automated Child Welfare Information System (SACWIS), which lists the date the caseworker submitted the CFS 906, Placement/Payment Authorization form, to the Child Intake and Recovery Unit (CIRU). We did note that the CFS 1014 only contained the date the CFS 906 was filed, not the date and the time. We noted that in 17 of the 70 instances tested where a child went missing, that the CFS 906 had not been filed within 24 hours of when the child had been reported missing. In 17 other instances, the CFS 1014 was deactivated or did not contain the information for us to determine if the CFS 906 was submitted to the CIRU.

Recommendation 3 – Data Accuracy

Recommendation:
DCFS should emphasize to all involved in the reporting and locating of missing children the need to accurately enter information into case files and to correct discrepancies when identified.

Status:
This recommendation is partially implemented. We compared the information entered in the caseworkers' notes in SACWIS to the information entered on the initial CFS 1014 to ensure that there were not any discrepancies. We noted that in 16 of the 70 cases tested, there were multiple dates/times entered for when the child went missing. We also reviewed whether Department supervisors were conducting reviews of the CFS 1014. Procedures 329, Locating and Returning Missing, Runaway, and Abducted Children, provides for documentation of supervisors reviews by the submission of the CFS 1014. We noted that in 23 of the 70 cases tested, the initial CFS 1014 was deactivated in SACWIS or did not contain the information for us to determine whether supervisor reviews were conducted.

Recommendation 4 – CIRU Notification

Recommendation:
DCFS should improve controls to ensure that the CIRU is immediately informed when a DCFS caseworker is notified that a ward has gone missing, as per Procedure 329.

Status:
This recommendation is partially implemented. Procedures 329 requires caseworkers to notify the CIRU within 1 hour of when they receive notification that a child is missing. The date when the CIRU is notified is documented in the initial CFS 1014; however, this form does not have a field to indicate the time. We noted that in 13 of the 70 cases we tested, the CIRU had not been notified within an hour of the child being reported missing. If we were unable to determine the time the CIRU was notified from the notes in SACWIS, we reviewed to determine whether the date the CIRU was notified on the initial CFS 1014 was within one business day. In 25 of the 70 cases tested, the initial CFS 1014 was deactivated and the notes did not contain the information for us determine if the CIRU was notified timely.

Recommendation 5 – Caseworker Notification

Recommendation:
DCFS should establish (1) a field in SACWIS to require caseworkers to enter the date and time when they first learned about a missing ward; (2) procedures for the caseworker to acknowledge notification of the missing ward; and (3) a process to ensure that searches are conducted for missing wards in a timely manner, including after business hours or on weekends.

Status:
This recommendation is partially implemented. We noted that the Department did add a field in SACWIS for the date and time caseworkers received notification of a missing child. We did not note any exceptions related to this field not being completed. The Department's Procedures 329 requires caseworkers to notify law enforcement within 3 hours of learning that a child is missing and provide them with a photograph of the child. We noted that in 9 of the 70 cases tested, law enforcement was not notified within 3 hours of when the child had been reported missing. We also noted that in 7 of the 70 cases tested, a photograph of the child was not submitted to law enforcement within 3 hours of when the child had been reported missing. Finally, we noted in 11

of the 70 cases tested, the initial CFS 1014 form was deactivated or did not contain the information for us to determine the date and time that law enforcement was notified of the missing child.

Recommendation 6 – Report Missing Wards

Recommendation:
DCFS should report the missing wards to required parties within the time established in its procedures, including to NCMEC, juvenile courts, and parents/guardians and require supervisors to sign-off on the CFS 1014 to document their review.

Status:
This recommendation is partially implemented. The Department's Procedures 329 requires notification of the National Center for Missing and Exploited Children (NCMEC) within 3 hours of when the child was reported missing. Procedures 329 also states that the parents, guardian or legal custodian, juvenile court of jurisdiction and/or Guardian ad litem should be notified within 3 hours of when the child was reported missing. We noted that in 23 of the 70 cases tested, NCMEC was not notified within 3 hours of when the child was reported missing. We also noted that in 14 of the 70 cases tested, the initial CFS 1014 was deactivated and we were unable to determine if the NCMEC was notified within 3 hours of when the child was reported missing from other notes in the file. We noted that in 15 of the 70 cases tested, the parents, guardian or legal custodian, juvenile court, and/or guardian ad litem were not notified within 3 hours of when the child was reported missing. We also noted that in 26 of 70 cases tested, the initial CFS 1014 was deactivated or did not contain the information for us to determine whether parents, guardian or legal custodian, juvenile court, and/or guardian ad litem were notified timely.

Recommendation 7 – Complete All Agency Forms

Recommendation:
DCFS should ensure that all its internal forms are completed in a timely manner as specified in DCFS procedures, including the CFS 1014 Missing Children Recovery Report. In addition, DCFS should debrief missing wards when they are found, and document the interview.

Status:
This recommendation is partially implemented. The Department's Procedure 329 requires the caseworker or supervisor to complete CFS 680-A, Missing Child De-Briefing form, and CFS 1014, Missing Children Recovery report, within two business days from the date the child returned. We noted that in 41 of the 70 cases tested, the CFS 680-A had not been completed within 2 days of the child returning. In 38 of the 70 cases tested, the CFS 1014 was not completed within 2 days of the child returning.

Recommendation 8 – Supervisory Review

Recommendation:

DCFS should comply with its written procedures which require that supervisory meetings with caseworkers be documented when searching for missing wards. Supervisors should review the documents completed by caseworkers and sign off to demonstrate their review.

Status:

This recommendation is partially implemented. The Department's Procedures 329 states the supervisors' reviews are documented by the submission of the initial CFS 1014. We noted that in 23 of the 70 cases tested, the initial CFS 1014 was deactivated in SACWIS or did not contain the information for us to determine whether supervisor reviews were conducted. In 1 of the 70 case files tested, we noted that there were no supervisor notes in the case file.

Recommendation 9 – Training and Monitoring

Recommendation:

Given the lack of documentation and noncompliance found in this audit, DCFS should:

- *Provide training to its caseworkers and supervisors on missing children;*
- *Review its search procedures for missing children for possible modifications; and*
- *Give the CIRU (or another unit within DCFS) the responsibility to monitor actions taken by caseworkers and supervisors to report and locate missing children, and to report to management the degree to which the Department's policies and procedures are being followed.*

Status:

This recommendation is partially implemented. The Department has revised Procedures 329 in response to this recommendation and training has been conducted to make caseworkers and supervisors aware of the new requirements. The Department provided us with PowerPoint slides from the training that demonstrated the changes to the Department's procedures for missing children. The CIRU is responsible for monitoring caseworkers' and supervisors' compliance with the new procedures.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Children and Family Services was performed by Sikich LLP.

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

EXIT CONFERENCE

The Department waived an exit conference in correspondence dated February 6, 2017.

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217.793.3363 // www.sikich.com

3201 W. White Oaks Dr., Suite 102
Springfield, Illinois 62704

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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 Children and Family Services (Department), as of and for the year ended June 30, 2016, 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 for the Department, as of June 30, 2016, and the respective changes in financial position thereof 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 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State 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, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information for the General Fund and related pension and other postemployment benefit information for its Department-wide financial statements 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit for the year ended June 30, 2016 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 in the combining nonmajor governmental, fiduciary and the agency fund financial statements, the State Compliance Schedules 1 through 10, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2016, in the combining nonmajor governmental, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2016 in the combining nonmajor governmental, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 have 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 accompanying supplementary information for the year ended June 30, 2016, in the combining nonmajor governmental, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated January 15, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 3, 5, 7 and 8 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 financial statements. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 3, 5, 7 and 8 has been subjected to the auditing procedures applied in the audit of the June 30, 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those 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 accompanying supplementary information for the year ended June 30, 2014 in Schedules 3, 5, 7 and 8 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2015 in the State Compliance Schedules 2 through 10 and the Analysis of Operations Section 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 February 8, 2017, 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 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 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

Decatur, Illinois
February 8, 2017, except for State Compliance Schedules 1 and 3 through 10 for which the date is April 19, 2017

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2016 (Expressed in Thousands)

	General Fund 0001	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	$ 34,926	$ -	$ 34,926	$ -	$ 34,926
Cash equity with State Treasurer	-	25,375	25,375	-	25,375
Cash and cash equivalents	1,083	172	1,255	-	1,255
Securities obligations	-	43	43	-	43
Due from other government - federal	-	89,830	89,830	-	89,830
Other receivables, net	454	-	454	-	454
Due from other Department funds	852	172	1,024	(1,024)	-
Due from other State funds	79	286	365	-	365
Prepaid expenses	-	-	-	81	81
Capital assets being depreciated, net	-	-	-	1,255	1,255
Total assets	37,394	115,878	153,272	312	153,584
DEFERRED OUTLOWS OF RESOURCES					
Pension	-	-	-	128,906	128,906
Total deferred outflows of resources	-	-	-	128,906	128,906
Total assets and deferred outflows of resources	$ 37,394	$ 115,878	$ 153,272	129,218	282,490
LIABILITIES					
Accounts payable and accrued liabilities	$ 33,385	$ 60,317	$ 93,702	-	93,702
Intergovernmental payables	219	941	1,160	-	1,160
Due to other Department funds	12	1,012	1,024	(1,024)	-
Due to other State funds	3,442	20	3,462	-	3,462
Due to State of Illinois component units	1,647	5,489	7,136	-	7,136
Obligations under Securites Lending of State Treasurer	-	43	43	-	43
Unearned revenue	-	146	146	-	146
Pension Liability					
Due subsequent to one year	-	-	-	1,412,900	1,412,900
Compensated Absences					
Due within one year	-	-	-	1,024	1,024
Due subsequent to one year	-	-	-	19,468	19,468
Total liabilities	38,705	67,968	106,673	1,432,368	1,539,041
DEFERRED INFLOWS OF RESOURCES					
Pension	-	-	-	92,698	92,698
Unavailable revenue	-	79,321	79,321	(79,321)	-
Total deferred inflows of resources	-	79,321	79,321	13,377	92,698
Total liabilities and deferred inflows of resources	38,705	147,289	185,994	1,445,745	1,631,739

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2016 (Expressed in Thousands)

	General Fund 0001	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
FUND BALANCES (DEFICITS) / NET POSITION					
Fund Balances:					
Restricted	-	67	67	(67)	-
Committed	-	133	133	(133)	-
Assigned	-	54	54	(54)	-
Unassigned	(1,311)	(31,665)	(32,976)	32,976	-
Net investment in capital assets	-	-	-	1,255	1,255
Restricted net position	-	-	-	67	67
Unrestricted net position	-	-	-	(1,350,571)	(1,350,571)
Total fund balances (deficits) / net position	(1,311)	(31,411)	(32,722)	$ (1,316,527)	$ (1,349,249)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 37,394	$ 115,878	$ 153,272		

The accompanying notes to the financial statements are an integral part of this statement.

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2016 (Expressed in Thousands)

Total fund balances (deficits)-governmental funds	$	(32,722)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid expenses for governmental activities are current uses of financial resources for funds.		81
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,255
Deferred outflows of resources related to pension liability are not reported in the governmental funds since they do not provide current financial resources.		128,906
Deferred inflows of resources related to pension liability are not reported in the governmental funds since they do not use current financial resources.		(92,698)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		79,321
Some 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:		
Compensated absences		(20,492)
Pension liability		(1,412,900)
Net position of governmental activities	$	(1,349,249)

The accompanying notes to the financial statements are an integral part of this statement.

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

For the Year Ended June 30, 2016 (Expressed in Thousands)

	General Fund 0001	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	$ 616,076	$ 467,452	$ 1,083,528	$ 43,057	$ 1,126,585
Capital outlays	-	323	323	(323)	-
Total expenditures/expenses	616,076	467,775	1,083,851	42,734	1,126,585
Program revenues:					
Charges for services:					
Licenses and fees	16	456	472	-	472
Other charges for services	14,408	3,791	18,199	-	18,199
Total	14,424	4,247	18,671	-	18,671
Operating grant revenue:					
Federal	-	450,699	450,699	(53,681)	397,018
Total operating grant revenue	-	450,699	450,699	(53,681)	397,018
Net program revenues (expense)	(601,652)	(12,829)	(614,481)	(96,415)	(710,896)
General revenues:					
Interest and investment income	-	1	1	-	1
Other	-	34	34	-	34
Total general revenues	-	35	35	-	35
Other sources (uses):					
Appropriations from State resources	648,456	-	648,456	-	648,456
Lapsed appropriations	(30,174)	-	(30,174)	-	(30,174)
Receipts collected and transmitted to State Treasury	(13,951)	-	(13,951)	-	(13,951)
Transfers-in	-	118	118	(118)	-
Transfers-out	(3,773)	(118)	(3,891)	118	(3,773)
Total other sources (uses)	600,558	-	600,558	-	600,558
Change in fund balances/net position	(1,094)	(12,794)	(13,888)	(96,415)	(110,303)
Fund balances (deficits)/net position, July 1, 2015	(217)	(18,617)	(18,834)	(1,220,112)	(1,238,946)
Fund balances (deficits)/net position, June 30, 2016	$ (1,311)	$ (31,411)	$ (32,722)	$ (1,316,527)	$ (1,349,249)

The accompanying notes to the financial statements are an integral part of this statement.

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

For the Year Ended June 30, 2016 (Expressed in Thousands)

Net change in fund balances	$ (13,888)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while the Statement of Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the difference between capital additions and depreciation in the current period.	(197)
Prepaid expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change from the prior year.	20
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount represents the decrease in unavailable revenue over the prior year.	(53,681)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources and not considered expenses on the Statement of Activities	3,827
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. Also, some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Position and are therefore not reported as expenses in the Statement of Activities.	
Pension expense	(46,989)
Decrease in compensated absences obligation	605
Change in net position of governmental activities	$ (110,303)

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

	Private Purpose Trust Funds	Agency Fund Children's Trust Fund 1122
ASSETS		
Cash equity with State Treasurer	$ -	$ 217
Cash and cash equivalents	72	2,637
Investments	524	-
Due from other government - federal	-	467
Total assets	596	$ 3,321
LIABILITIES		
Due to other government - federal	-	117
Other liabilities	-	3,204
Total liabilities	-	$ 3,321
NET POSITION		
Held in trust for:		
Individuals, organizations, and other governments	596	
Total net position	$ 596	

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Private Purpose Trust Funds
Additions:	
Investment earnings:	
Interest, dividends and other investment income (loss)	$ 2
Change in net position	2
Net position, July 1, 2015	594
Net position, June 30, 2016	$ 596

The accompanying notes to the financial statements are an integral part of this statement.

(1) Organization

The Department of Children and Family 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 Revenue 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 State Comptroller's Office) 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, with the exception of the Bail Bond Fund, the Children and Family Benefit Fund, the Children's Trust Fund, the Katherine Schaffner Bequest Fund, and the Herrick House Children's Center Bequest Fund.

The Department is organized to provide for social services to children and their families in the State through grants and purchase-of-service arrangements with local service agencies. The mission of the Department is to:

- Protect children who are reported to be abused or neglected and to increase their families' capability to safely care for them;
- Provide for the well-being of children in our care;
- Provide appropriate, permanent families as quickly as possible for those children who cannot safely return home;
- Support early intervention and child abuse prevention activities; and
- Work in partnerships with communities to fulfill this mission.

(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

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because 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 of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Children and Family Services, are intended to present the financial position and the changes in financial position of only the 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, 2016 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Department, which consist only of governmental activities, are reported under the health and social services function in the State of Illinois' 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 financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of net position presents the assets, deferred outflow 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 in more than 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 the health and social services 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 all taxes, 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department administers the following major governmental fund or portions thereof in the case of shared funds (See note 2(d)) of the State:

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 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 also administers the following fund types:

Governmental Funds:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted, committed or assigned to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, fees for service, and other resources restricted as to purpose.

Fiduciary Funds:

Private Purpose Trust – These funds account for resources legally held in trust for use by the Herrick House and the Katherine Schaffner Bequest. All resources of these funds, including any earnings on invested resources, may be used to support the Herrick House and the Katherine Schaffner Bequest. There is no requirement that any portion of these resources be preserved as capital.

Agency – These funds account for transactions related to assets 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 and donations. 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 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 State 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 formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions 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 federal grants and interest. All other revenue sources including licenses and fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue Fund 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 warrants issued between July and August 31 for fiscal year 2016, in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. In fiscal year 2016, the Department did not receive an appropriation from the General Assembly for General Revenue Fund spending. The appropriations amount included in the financial statements was derived from the "Agreed Order To Maintain Compliance with Consent Decree" (Order) issued by the United States District Court for the Northern District of Illinois Eastern Division (Case No. 88 C 5599). The Order required the Department to continue to provide, and the Illinois Comptroller to make payments, for all programs, services and personnel at a level no less than the levels paid in fiscal year 2015.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued during the 14 month period from July to August 31 of the following year and re-appropriations to subsequent years according to SAMS records. See also the description above related to fiscal year 2016 appropriations included in these financial statements.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

(e) Eliminations

Eliminations have been made in the government-wide statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental inter-fund receivables and payables have been eliminated in the government-wide statement of net position. 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 less than 90 days at the time of purchase. Cash equivalents also include cash on hand and petty cash funds.

(g) Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The Department holds investments pursuant to statutory authority for locally-held funds.

(h) Inter-fund Transactions and Transactions with State of Illinois Component Units

The Department has the following types of inter-fund transactions between Department funds and funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Inter-fund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as inter-fund receivables and payables in the governmental funds balance sheets or the government-wide statements of net position.

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 financing uses in the funds making transfers and as other financing sources 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 of State and Federal programs.

(i) Capital Assets

Capital assets, which include buildings and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Buildings	$100,000	10-60
Building Improvements	$25,000	10-45
Equipment	$5,000	3-25

(j) 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 has been calculated based on the employees' current salary level 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.

(k) Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Department is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Restricted fund balances at June 30, 2016, were restricted for health and social services.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the Governor. Those committed amounts cannot be used for any other purpose unless the State legislature and Governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balances at June 30, 2016, were committed for health and social services.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Department for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature. Assigned fund balances at June 30, 2016, were assigned for health and social services.

Unassigned – The unassigned fund balance classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Department applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(l) Net position

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

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

(m) 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.

(n) Pensions

In accordance with the Department's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* 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 recognition of outflows and inflows of resources due to pension assets and liabilities.

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.

(o) Adoption of New Accounting Pronouncements

Effective for the year ending June 30, 2016, the Department adopted the following GASB Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair market value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this Statement had no impact on the Department's net position or results of operations.

- The Department adopted the portion of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability for pensions that are within the scope of Statement 67 and Statement 68. The implementation of this Statement had no impact on the Department's net position or results of operations.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This statement will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it to be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. The implementation of this Statement had no impact on the Department's net position or results of operations.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* which is intended to improve financial reporting for governments by superseding the accounting and financial reporting standards for 2a7-like external investment pools. This statement documents the criteria for qualifying external investment pools to elect to measure all of their investments at amortized cost. The implementation of this statement had no financial impact on the Department's net position or results of operations.

(p) Future Adoption of GASB Statements

Effective for the year ending June 30, 2017, the Department will adopt the following GASB statements:

- The portion of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which addresses accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68.

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43, addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

- GASB Statement No. 77, *Tax Abatement Disclosures*, which is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local government employees through a cost-sharing multiple-employer defined benefit pension that is not a state or local government pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

- GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective for the year ending June 30, 2018, the Department will adopt the following GASB statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is intended to meet the objective of improving accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The Department has not yet determined the impact of adopting these statements on its financial statements.

(q) Reliance on Outside Information

Due to the nature of relationships between the Department and various other State agencies, information related to Pension and Securities Lending Transactions in these financial statements is provided through the Illinois Office of the Comptroller by the State Employees Retirement System and the State Treasurer, respectively. The Department received information included in the fund financial statements for Securities Lending Transactions and the government wide financial statements for pension related transactions. Other details included in Note 3c (Security Lending Transactions) and Notes 2n and 9 (Pensions) were also received from these sources.

Audits of the State Treasurer and the State Employees' Retirement System can be found on the website of the Illinois Office of the Auditor General. The current locations are http://www.auditor.illinois.gov/Audit-Reports/THE-ILLINOIS-FUNDS.asp and http://www.auditor.illinois.gov/Audit-Reports/STATE-EMPLOYEES-RETIREMENT-SYSTEM.asp, respectively.

(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 independently 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. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

Deposits for locally-held funds of governmental activities had a carrying amount and a bank balance of $43 thousand at June 30, 2016. Deposits of locally-held funds of fiduciary funds had a carrying amount and a bank balance of $72 thousand at June 30, 2016.

Cash on hand totaled $172 thousand at June 30, 2016.

(b) Investments

Fair Value of Investments

The Department measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of June 30, 2016, the Department had the following investments outside of the State Treasury, which were valued using Level 1 Fair Value Measurements:

	Fair Value (Thousands)	**Weighted Average Maturity (Years)**
Fiduciary Funds		
Open-ended Equity Mutual Funds	363	N/A
Open-ended Debt Mutual Funds	161	7.000
Total Investments	$524	

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Open-ended Equity Mutual Funds were not rated.

At June 30, 2016, the Department's investments in Open-ended Debt Mutual Funds, totaling $161 thousand, had the following quality ratings: (amounts expressed in thousands)

Quality Ratings	Amount
AAA	$ 91
AA	4
A	12
BBB	39
BB	7
B	5
Unrated	3
Total	$ 161

(c) Securities Lending Collateral

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, 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 2016, Deutsche Bank AG lent U.S. Agency securities, U.S. Treasury securities, and U.S. Agency Discount Notes 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 2016 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 2016 resulting from a default of the borrowers or Deutsche Bank AG.

During the fiscal year 2016, 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 the repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2016 were $2,603,015,000 and $2,587,869,617, respectively.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2016 arising from securities lending agreements to the various funds of the State. The total allocated to the Department was $43 thousand at June 30, 2016.

(4) Inter-fund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2016 represents amounts due from other Department and State of Illinois funds.

	Due from		
Fund	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
General	$ 852	$ 79	Due from other Department and State funds for reimbursement of expenditures incurred and receipt transfers.
Nonmajor governmental funds	172	286	Due from other Department and State funds for reimbursement of expenditures incurred and receipt transfers.
	$ 1,024	$ 365	

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due to other Department and State of Illinois funds.

	Due to		
Fund	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
General	$ 12	$ 3,442	Due to State internal service funds for purchases of services and to Department and other State funds for reimbursement of expenditures incurred and transfers to fund mental health programs for children.
Nonmajor governmental funds	1,012	20	Due to State internal service funds for purchases of services and to other State funds for reimbursement of expenditures incurred and for excess advances received for grant expenditures to be incurred and to State fiduciary funds for pension contributions. Due to other Department funds for reimbursement of expenditures incurred and receipt transfers.
	$ 1,024	$ 3,462	

(b) Transfers from (to) Other Funds

Inter-fund transfers in of $118 (amounts expressed in thousands) for the year ended June 30, 2016 relates to an interdepartmental transfer for expenses incurred in a Department fund, but receipts deposited in another fund.

Inter-fund transfers out (amounts expressed in thousands) for the year ended June 30, 2016, were as follows:

Fund	Transfers out to Other State Funds	Description/Purpose
General	$ 3,773	Transfers to other State funds to fund mental health programs for children.
Nonmajor governmental funds	118	Transfers to another Department fund for revenue receipts for which expenses were incurred in another fund.
	$ 3,891	

(c) *Balances due to State of Illinois Component Units*

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

Component Unit	Due to General Fund	Due to Nonmajor Governmental Funds
Chicago State University	$ 329	$ 1
Governors State University	498	1,181
Northeastern Illinois University	-	1
Western Illinois University	35	18
Illinois State University	-	4
Northern Illinois University	497	1,199
Southern Illinois University	-	1,722
University of Illinois	288	1,363
	$1,647	$5,489

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities:				
Capital assets being depreciated:				
Equipment	$ 4,649	$ 323	$ 292	$ 4,680
Less accumulated depreciation:				
Equipment	3,197	520	292	3,425
Governmental activity capital assets, net	$ 1,452	$ (197)	$ -	$ 1,255

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2016 was charged as follows:

Health and social services	$ 520

(6) Other Receivables

Other receivables at June 30, 2016, (expressed in thousands) consisted of the following:

Governmental Funds

Revenue Source	General Fund
Parental assessments	$ 56
Overpayments	3,389
Total other receivables	3,445
Allowance for uncollectible amounts	(2,991)
Other receivables, net	$ 454

(7) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2016 were as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 21,097	$ 27,080	$ 27,685	$ 20,492	$ 1,024
Net Pension Liability	1,344,473	68,427	-	1,412,900	-
Total governmental activities	$1,365,570	$ 95,507	$ 27,685	$1,433,392	$ 1,024

Compensated absences will be liquidated in subsequent years by the applicable governmental funds that account for the salaries and wages of the related employees. Net pension liabilities will be liquidated through the General Revenue Fund, and the special revenue funds that report wages.

(8) Deferred Outflows and 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, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Department has deferred outflows related to the pension plan that meets this criterion. In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as revenue until then. In the governmental funds balance sheet, the Department has one item that meets the criterion for this category – Deferred Revenues – unavailable. In the statement of net position, the Department has deferred inflows related to the pension plan that meets this criterion.

(9) Defined Benefit Pension Plan

Plan Description. 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), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists 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 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

Benefit Provisions. SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered 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 $15.00 for each year of covered employment and $25.00 for each year of noncovered employment.

Participants 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.

Regular Formula Tier 1	Regular Formula Tier 2
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 eight 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.	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. 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. The calendar year 2015 rate is $111,572. 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.

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 eighteen months of credited service to 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 the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. 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 lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2016, this amount was $111,572.

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 2016, 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 2016, the employer contribution rate was 45.598%. The Department's contribution amount for fiscal year 2016 was $4,028 (expressed in thousands).

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2016, the Department reported a liability of $1,413 million 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, 2015 (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, 2015. As of the current year measurement date of June 30, 2015, the Department's proportion was 5.0446%, which was an increase of 0.0841% from its proportion measured as of the prior year measurement date of June 30, 2014.

For the year ended June 30, 2016, the Department recognized pension expense of $134 million. At June 30, 2016, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,297	$ 18,343
Changes of assumptions	103,661	-
Net difference between projected and actual investment earnings on pension plan investments	-	21,400
Changes in proportion	17,119	52,955
Department contributions subsequent to the measurement date	3,829	-
Total	$ 128,906	$ 92,698

$3,829 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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	
2017	$ 11,017
2018	11,017
2019	4,481
2020	5,865
Total	$ 32,380

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 3.0%

Investment Rate of Return: 7.25%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric 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. 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, 2015, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	**100%**	**5.03%**

Discount Rate. A discount rate of 7.02% was used to measure the total pension liability as of the measurement date of June 30, 2015, as compared to a discount rate of 7.09% used to measure the total pension liability as of the prior year measurement date. The June 30, 2015, single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80%, 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 plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2067. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2067, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liability for the plan 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):

	1% Decrease 6.02%	Discount Rate 7.02%	1% Increase 8.02%
Department's proportionate share of the net pension liability	$ 1,700,897	$ 1,412,900	$ 1,173,840

Payables to the pension plan. At June 30, 2016, the Department reported a payable of $87,655 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

(10) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, 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 towards health, dental, 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, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

(11) Fund Deficits

The Children's Services Fund and Federal Projects Fund (nonmajor governmental funds) had deficit fund balances of $31,512 and $153 (in thousands), respectively, at June 30, 2016. The deficit will be eliminated by future recognition of earned but unavailable revenues. At June 30, 2016, earned but unavailable revenues for these funds were $79,168 and $153 (in thousands), respectively.

(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.

(13) Commitments and Contingencies

(a) Operating leases

The Department leases copiers and other office equipment, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was $1,241 thousand for the year ended June 30, 2016.

The following is a schedule of future minimum lease payments under operating leases (amounts expressed in thousands):

Year Ending June 30,	Amount
2017	$ 1,308
2018	973
2019	126

(b) Commitments related to Adoptive Parents and Permanent Guardians

The Department enters into agreements with Adoptive Parents and Permanent Guardians of youth in care of the Department. These agreements generally provide monthly subsidies to the parents or guardians of these youth in care until they turn 18 years of age. The table below estimates the Department's future commitment related to these youth as of June 30, 2016:

All Cases			Adoptive Parents			Permanent Guardians		
Current Age	Cases	Amount Committed	Current Age	Cases	Amount Committed	Current Age	Cases	Amount Committed
00	1	$ 87,780	00	1	$ 87,780	00	-	$ -
01	26	2,439,962	01	24	2,271,266	01	2	168,696
02	174	14,967,122	02	170	14,650,178	02	4	316,944
03	350	28,128,203	03	327	26,187,873	03	23	1,940,330
04	603	46,465,031	04	557	42,556,159	04	46	3,908,872
05	728	52,011,291	05	671	48,291,870	05	57	3,719,421
06	969	65,570,053	06	870	59,215,993	06	99	6,354,060
07	1,110	69,926,031	07	960	60,540,480	07	150	9,385,551
08	1,335	78,312,919	08	1,186	69,538,121	08	149	8,774,798
09	1,350	70,618,750	09	1,201	63,198,782	09	149	7,419,968
10	1,467	70,492,745	10	1,296	62,688,168	10	171	7,804,577
11	1,549	63,852,573	11	1,352	55,826,297	11	197	8,026,276
12	1,634	56,718,541	12	1,417	49,733,129	12	217	6,985,412
13	1,662	46,920,103	13	1,430	40,784,515	13	232	6,135,588
14	1,784	39,947,502	14	1,532	34,561,093	14	252	5,386,409
15	1,871	30,679,158	15	1,612	26,564,632	15	259	4,114,526
16	1,906	18,647,658	16	1,627	16,064,542	16	279	2,583,116
17	2,040	7,078,362	17	1,725	6,020,699	17	315	1,057,663
	20,559	$ 762,863,784		17,958	$ 678,781,577		2,601	$ 84,082,207

These commitments will partially be offset by the federal government through the Title IV-E Adoptive Assistance and Title IV-E Guardianship Assistance programs. Based on the most recent data available, the Department claimed reimbursement at a rate of 45.657% for Adoptive Assistance subsidies and 37.449% of Guardianship Assistance subsidies.

(c) Federal Funding

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. At June 30, 2016, the Department determined that certain files may not contain complete background check documentation which could result in returning funds received from federal agencies. The Department is currently assessing the extent of this matter and is unable to determine any amount of funds which could be required to be returned to the federal agency as a result.

In addition, there were no material questioned costs resulting from federal reviews that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(d) Litigation

The Department is routinely involved in a number of other 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.

(14) Subsequent Event

The Department is part of the executive branch of government and operates under a budget where resources are appropriated for the use of the Department. As of the date these financial statements were available to be issued, the State of Illinois had adopted a six-month budget for fiscal year 2017. The partial year “stopgap” budget was signed into law on June 30, 2016 and provided funding for six months through December 2016. The partial year “stopgap” budget did not include an appropriation for the Department’s General Revenue Fund. Payments for programs, services and personnel will be paid from the six month budget. Pursuant to a court order, the Department will continue to provide, and the Illinois State Comptroller shall make payments for all programs, services and personnel required by a consent decree at a level no less than the level of services paid in fiscal year 2015, until a budget is passed for the remainder of fiscal year 2017.

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2016 (Expressed in Thousands)

	Special Revenue						
	Children's Services Fund 0220	**Federal Projects Fund 0566**	**Special Purpose Fund 0582**	**Child Abuse Prevention Fund 0934**	**Bail Bond Fund 1119**	**Children and Family Benefit Fund 1121**	**Total**
ASSETS							
Cash equity with State Treasurer	$ 24,449	$ 629	$ 134	$ 163	$ -	$ -	$ 25,375
Cash and cash equivalents	129	-	-	-	1	42	172
Securities Obligations	-	-	-	43	-	-	43
Due from other government - federal	89,590	240	-	-	-	-	89,830
Due from other Department funds	160	-	-	-	-	12	172
Due from other State funds	26	260	-	-	-	-	286
Due from State of Illinois component units	-	-	-	-	-	-	-
Total assets	$ 114,354	$ 1,129	$ 134	$ 206	$ 1	$ 54	$ 115,878
LIABILITIES							
Accounts payable and accrued liabilities	$ 59,543	$ 714	$ 30	$ 30	$ -	$ -	$ 60,317
Intergovernmental payables	941	-	-	-	-	-	941
Due to other Department funds	807	205	-	-	-	-	1,012
Due to other State funds	6	14	-	-	-	-	20
Due to State of Illinois component units	5,401	88	-	-	-	-	5,489
Obligation under Securities Lending of State Treasurer	-	-	-	43	-	-	43
Unearned revenue	-	108	38	-	-	-	146
Total liabilities	66,698	1,129	68	73	-	-	67,968
DEFERRED INFLOW OF RESOURCES							
Unavailable revenue	79,168	153	-	-	-	-	79,321
Total deferred inflow of resources	79,168	153	-	-	-	-	79,321
Total liabilities and deferred inflows of resources	145,866	1,282	68	73	-	-	147,289
FUND BALANCES (DEFICITS)							
Restricted	-	-	66	-	1	-	67
Committed	-	-	-	133	-	-	133
Assigned	-	-	-	-	-	54	54
Unassigned	(31,512)	(153)	-	-	-	-	(31,665)
Total fund balances (deficits)	(31,512)	(153)	66	133	1	54	(31,411)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 114,354	$ 1,129	$ 134	$ 206	$ 1	$ 54	$ 115,878

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

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Special Revenue						
	Children's Services Fund 0220	**Federal Projects Fund 0566**	**Special Purpose Fund 0582**	**Child Abuse Prevention Fund 0934**	**Bail Bond Fund 1119**	**Children and Family Benefit Fund 1121**	**Total**
REVENUES							
Federal government	$ 445,864	$ 4,835	$ -	$ -	$ -	$ -	$ 450,699
Licenses and fees	420	-	36	-	-	-	456
Interest and other investment income	-	-	-	1	-	-	1
Other charges for services	3,791	-	-	-	-	-	3,791
Other	16	-	2	12	-	4	34
Total revenues	450,091	4,835	38	13	-	4	454,981
EXPENDITURES							
Health and social services	462,173	4,979	219	79	-	2	467,452
Capital outlay	323	-	-	-	-	-	323
Total expenditures	462,496	4,979	219	79	-	2	467,775
Excess (deficiency) of revenues over (under) expenditures	(12,405)	(144)	(181)	(66)	-	2	(12,794)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Transfers-in	118	-	-	-	-	-	118
Transfers-out	-	(118)	-	-	-	-	(118)
Net other sources (uses) of financial resources	118	(118)	-	-	-	-	-
Net change in fund balances	(12,287)	(262)	(181)	(66)	-	2	(12,794)
Fund balances (deficits), July 1, 2015	(19,225)	109	247	199	1	52	(18,617)
FUND BALANCES (DEFICITS), JUNE 30, 2016	$ (31,512)	$ (153)	$ 66	$ 133	$ 1	$ 54	$ (31,411)

Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds

June 30, 2016 (Expressed in Thousands)

	Katherine Schaffner Bequest Fund 1117	Herrick House Children's Center Bequest Fund 1207	Total
ASSETS			
Cash and cash equivalents	$ 58	$ 14	$ 72
Investments	524	-	524
Total assets	582	14	596
NET POSITION			
Held in trust for:			
Individuals, organizations, and other governments	582	14	596
Total net position	$ 582	$ 14	$ 596

Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Katherine Schaffner Bequest Fund 1117	Herrick House Children's Center Bequest Fund 1207	Total
Additions:			
Investment earnings:			
Interest, dividends and other investment income (loss)	$ 2	$ -	$ 2
Change in net position	2	-	2
Net position, July 1, 2015	580	14	594
Net position, June 30, 2016	$ 582	$ 14	$ 596

State of Illinois

Department of Children and Family Services

Statement of Changes in Assets and Liabilities - Agency Fund

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Children's Trust Fund (1122)			
	Balance July 1, 2015	**Additions**	**Deductions**	**Balance June 30, 2016**
ASSETS				
Cash equity with State Treasurer	$ 229	$ 2,978	$ 2,990	$ 217
Cash and cash equivalents	2,292	2,638	2,293	2,637
Due from other government - federal	537	2,568	2,638	467
Total assets	$ 3,058	$ 8,184	$ 7,921	$ 3,321
LIABILITIES				
Due to other government - federal	$ 151	$ 1,884	$ 1,918	$ 117
Amounts held on behalf of State Wards	2,907	6,300	6,003	$ 3,204
Total liabilities	$ 3,058	$ 8,184	$ 7,921	$ 3,321

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

  Schedule of Appropriations, Expenditures and Lapsed Balances
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  Schedule of Changes in State Property
  Comparative Schedule of Cash Receipts
  Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  Analysis of Significant Variations in Expenditures
  Analysis of Significant Variations in Receipts
  Analysis of Significant Lapse Period Spending
  Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):

  Agency Functions and Planning Program (Unaudited)
  Budget Impasse Disclosures (Unaudited)
  Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
  Interest Costs on Fiscal Year 2016 Invoices (Unaudited)
  Average Number of Employees (Unaudited)
  Emergency Purchases (Unaudited)
  Service Efforts and Accomplishments (Unaudited)
  Schedule of Indirect Cost Reimbursements (Unaudited)

The auditor's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The auditor's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Acts 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
APPROPRIATED FUNDS					
General Revenue Fund - 0001					
Regular positions	$ 205,985,000	$ 188,043,825	$ 13,831,070	$ 201,874,895	$ 4,110,105
Soc sec/medicare contributions	15,754,200	13,812,027	1,031,210	14,843,237	910,963
Contractual services	26,125,300	21,083,711	2,649,597	23,733,308	2,391,992
Travel	6,615,900	4,665,941	1,138,768	5,804,709	811,191
Commodities	454,600	183,416	52,468	235,884	218,716
Printing	463,300	260,193	24,830	285,023	178,277
Equipment	46,300	16,251	24,049	40,300	6,000
Electronic data processing	1,536,000	1,123,618	318,779	1,442,397	93,603
Telecommunication	4,863,000	2,963,056	1,031,613	3,994,669	868,331
Operation of auto equipment	170,100	126,319	6,638	132,957	37,143
Awards and grants - lump sum	365,520,800	341,224,543	5,865,700	347,090,243	18,430,557
Awards and grants	9,371,900	6,551,729	1,487,263	8,038,992	1,332,908
Lump sums and other purposes	9,788,800	6,870,550	2,900,062	9,770,612	18,188
Lump sum, operations	463,300	442,603	19,443	462,046	1,254
Awards and grants to students	1,212,800	947,083	61,008	1,008,091	204,709
Tort claims	73,300	23,266	4,098	27,364	45,936
Refunds	11,200	4,408	4,242	8,650	2,550
Subtotal Fund 0001	$ 648,455,800	$ 588,342,539	$ 30,450,838	$ 618,793,377	$ 29,662,423
DCFS Children's Services Fund - 0220					
Awards and grants - lump sum	$ 466,351,300	$ 368,428,471	$ 54,490,677	$ 422,919,148	$ 43,432,152
Lump sums and other purposes	36,074,503	21,352,828	8,173,002	29,525,830	6,548,673
Awards and grants	13,403,300	7,793,793	2,365,028	10,158,821	3,244,479
Tort claims	2,800,000	168,000	98,000	266,000	2,534,000
Subtotal Fund 0220	$ 518,629,103	$ 397,743,092	$ 65,126,707	$ 462,869,799	$ 55,759,304

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Acts 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
DCFS Federal Projects Fund - 0566					
Lump sums and other purposes	$ 10,511,600	$ 4,110,341	$ 801,235	$ 4,911,576	$ 5,600,024
Subtotal Fund 0566	$ 10,511,600	$ 4,110,341	$ 801,235	$ 4,911,576	$ 5,600,024
DCFS Special Purpose Trust Fund - 0582					
Lump sums and other purposes	$ 689,100	$ 188,738	$ 61,549	$ 250,287	$ 438,813
Subtotal Fund 0582	$ 689,100	$ 188,738	$ 61,549	$ 250,287	$ 438,813
Child Abuse Prevention Fund - 0934					
Awards and grants - lump sum	$ 300,000	$ 51,250	$ 38,485	$ 89,735	$ 210,265
Subtotal Fund 0934	$ 300,000	$ 51,250	$ 38,485	$ 89,735	$ 210,265
TOTAL - ALL APPROPRIATED FUNDS	$ 1,178,585,603	$ 990,435,960	$ 96,478,814	$ 1,086,914,774	$ 91,670,829

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: Spending authority (for line items without an enacted appropriation) was granted for all funds by the United States District Court for the Northern District of Illinois Eastern Division in *B.H. v. George Sheldon* (88 C 5599), which reads in part, "the Comptroller shall continue to make all payments for all services, all current programs and all personnel, at a level no less than the levels paid in fiscal year 2015, that are necessary to comply with the Consent Decree and Supplemental Order."

Note 4: During fiscal year 2016, the Department operated without enacted appropriations until Public Act 99-0409, signed into law August 20, 2015 and Public Act 99-0524, signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages for all State employees at their normal rates of pay."

Note 5: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department to be submitted against its fiscal year 2017 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (UNAUDITED)
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0642 and 98-0680	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
APPROPRIATED FUNDS					
General Revenue Fund - 0001					
Regular positions	$ 205,985,000	$ 191,586,889	$ 13,174,687	$ 204,761,576	$ 1,223,424
Soc sec/medicare contributions	15,754,200	14,086,722	982,929	15,069,651	684,549
Contractual services	26,125,300	23,091,390	1,708,483	24,799,873	1,325,427
Travel	6,615,900	4,845,943	1,034,838	5,880,781	735,119
Commodities	454,600	183,405	69,552	252,957	201,643
Printing	463,300	284,495	19,787	304,282	159,018
Equipment	46,300	28,549	3,067	31,616	14,684
Electronic data processing	1,536,000	790,452	647,136	1,437,588	98,412
Telecommunication	4,863,000	3,040,501	644,576	3,685,077	1,177,923
Operation of auto equipment	170,100	109,862	3,906	113,768	56,332
Awards and grants - lump sum	397,390,800	392,306,189	3,917,411	396,223,600	1,167,200
Awards and grants	9,371,900	7,147,193	1,340,060	8,487,253	884,647
Lump sums and other purposes	9,788,800	5,640,478	4,114,070	9,754,548	34,252
Lump sum, operations	463,300	437,100	19,263	456,363	6,937
Awards and grants to students	1,212,800	931,965	59,546	991,511	221,289
Tort claims	73,300	17,578	4,545	22,123	51,177
Refunds	11,200	7,610	-	7,610	3,590
Subtotal Fund 0001	$ 680,325,800	$ 644,536,321	$ 27,743,856	$ 672,280,177	$ 8,045,623
DCFS Children's Services Fund - 0220					
Awards and grants - lump sum	$ 427,371,100	$ 337,661,922	$ 63,788,734	$ 401,450,656	$ 25,920,444
Lump sums and other purposes	30,460,900	23,625,260	2,930,596	26,555,856	3,905,044
Awards and grants	13,403,300	8,348,795	2,752,676	11,101,471	2,301,829
Tort claims	2,800,000	35,178	-	35,178	2,764,822
Subtotal Fund 0220	$ 474,035,300	$ 369,671,155	$ 69,472,006	$ 439,143,161	$ 34,892,139

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (UNAUDITED)
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0642 and 98-0680		Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
DCFS Federal Projects Fund - 0566						
Lump sums and other purposes		$ 10,611,600	$ 4,686,817	$ 1,402,431	$ 6,089,248	$ 4,522,352
	Subtotal Fund 0566	$ 10,611,600	$ 4,686,817	$ 1,402,431	$ 6,089,248	$ 4,522,352
DCFS Special Purpose Trust Fund - 0582						
Lump sums and other purposes		$ 689,100	$ 216,417	$ 35,775	$ 252,192	$ 436,908
	Subtotal Fund 0582	$ 689,100	$ 216,417	$ 35,775	$ 252,192	$ 436,908
Child Abuse Prevention Fund - 0934						
Awards and grants - lump sum		$ 300,000	$ 100,000	$ -	$ 100,000	$ 200,000
	Subtotal Fund 0934	$ 300,000	$ 100,000	$ -	$ 100,000	$ 200,000
TOTAL - ALL APPROPRIATED FUNDS		$ 1,165,961,800	$ 1,019,210,710	$ 98,654,068	$ 1,117,864,778	$ 48,097,022

Note 1: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller.
Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2016, 2015 (Unaudited), and 2014

	Fiscal Year		
	2016	**2015**	**2014**
	P.A. 99-0409 P.A. 99-0524 Court-Ordered Expenditures	**P.A. 98-0642 P.A. 98-0860**	**P.A. 98-0027 P.A. 98-0642**
General Revenue Fund - 0001			
Appropriations (net after transfers)	$ 648,455,800	$ 680,325,800	$ 695,979,700
Expenditures:			
Regular positions	$ 201,874,895	$ 204,761,576	$ 207,021,830
Soc sec/medicare contributions	14,843,237	15,069,651	15,245,221
Contractual services	23,733,308	24,799,873	25,262,064
Travel	5,804,709	5,880,781	6,025,885
Commodities	235,884	252,957	321,605
Printing	285,023	304,282	306,981
Equipment	40,300	31,616	18,539
Electronic data processing	1,442,397	1,437,588	1,269,136
Telecommunication	3,994,669	3,685,077	3,930,024
Operation of auto equipment	132,957	113,768	137,413
Awards and grants - lump sum	347,090,243	396,223,600	404,604,202
Awards and grants	8,038,992	8,487,253	9,059,286
Lump sums and other purposes	9,770,612	9,754,548	10,009,320
Lump sum, operations	462,046	456,363	136,802
Awards and grants to students	1,008,091	991,511	925,889
Tort claims	27,364	22,123	34,059
Refunds	8,650	7,610	8,491
Total General Revenue Fund	$ 618,793,377	$ 672,280,177	$ 684,316,747
Lapsed Balances	$ 29,662,423	$ 8,045,623	$ 11,662,953
DCFS Children's Services Fund - 0220			
Appropriations (net after transfers)	$ 518,629,103	$ 474,035,300	$ 474,110,300
Expenditures:			
Awards and grants - lump sum	$ 422,919,148	$ 401,450,656	$ 398,105,653
Lump sums and other purposes	29,525,830	26,555,856	25,930,743
Awards and grants	10,158,821	11,101,471	12,036,784
Tort claims	266,000	35,178	2,105,172
Total DCFS Children's Services Fund	$ 462,869,799	$ 439,143,161	$ 438,178,352
Lapsed Balances	$ 55,759,304	$ 34,892,139	$ 35,931,948
DCFS Federal Projects Fund - 0566			
Appropriations (net after transfers)	$ 10,511,600	$ 10,611,600	$ 10,411,600
Expenditures:			
Lump sums and other purposes	$ 4,911,576	$ 6,089,248	$ 6,367,941
Total DCFS Federal Projects Fund	$ 4,911,576	$ 6,089,248	$ 6,367,941

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2016, 2015 (Unaudited), and 2014

	Fiscal Year 2016 P.A. 99-0409 P.A. 99-0524 Court-Ordered Expenditures	Fiscal Year 2015 P.A. 98-0642 P.A. 98-0860	Fiscal Year 2014 P.A. 98-0027 P.A. 98-0642
Lapsed Balances	$ 5,600,024	$ 4,522,352	$ 4,043,659
DCFS Special Purpose Trust Fund - 0582			
Appropriations (net after transfers)	$ 689,100	$ 689,100	$ 689,100
Expenditures:			
Lump sums and other purposes	$ 250,287	$ 252,192	$ 130,000
Total DCFS Special Purpose Trust Fund	$ 250,287	$ 252,192	$ 130,000
Lapsed Balances	$ 438,813	$ 436,908	$ 559,100
Child Abuse Prevention Fund - 0934			
Appropriations (net after transfers)	$ 300,000	$ 300,000	$ 500,000
Expenditures:			
Awards and grants - lump sum	$ 89,735	$ 100,000	$ 149,409
Total Child Abuse Prevention Fund	$ 89,735	$ 100,000	$ 149,409
Lapsed Balances	$ 210,265	$ 200,000	$ 350,591
Grand Total - All Appropriated Funds			
Appropriations (net after transfers)	$ 1,178,585,603	$ 1,165,961,800	$ 1,181,690,700
Total Expenditures	1,086,914,774	1,117,864,778	1,129,142,449
Lapsed Balances	$ 91,670,829	$ 48,097,022	$ 52,548,251
State Officers' Salaries			
Director salary	$ 150,228	$ 150,300	$ 150,296

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: Spending authority (for line items without an enacted appropriation) was granted for all funds by the United States District Court for the Northern District of Illinois Eastern Division in *B.H. v. George Sheldon* (88 C 5599), which reads in part, "the Comptroller shall continue to make all payments for all services, all current programs and all personnel, at a level no less than the levels paid in fiscal year 2015, that are necessary to comply with the Consent Decree and Supplemental Order."

Note 4: During fiscal year 2016, the Department operated without enacted appropriations until Public Act 99-0409, signed into law August 20, 2015 and Public Act 99-0524, signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages for all State employees at their normal rates of pay."

Note 5: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department to be submitted against its fiscal year 2017 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015 (Unaudited)
Balance at beginning of year	$ 24,552,139	$ 26,050,343
Additions	1,456,976	4,393,657
Deductions	(2,417,333)	(5,891,861)
Balance at end of the year	$ 23,591,782	$ 24,552,139

Note: This schedule was prepared from Department records and was reconciled to property reports submitted to the State Comptroller.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30, 2016, 2015 (Unaudited), and 2014

	2016	2015	2014
General Revenue Fund - 0001			
Child welfare	$ 14,083,333	$ 13,000,000	$ 13,000,000
Miscellaneous	331,372	71,744	53,485
Parental contributions for care and maintenance of children	29,038	4,459	14,003
	$ 14,443,743	$ 13,076,203	$ 13,067,488
DCFS Children's Services Fund - 0220			
Federal Government	$ 377,330,221	$ 353,831,494	$ 351,824,927
Miscellaneous	313,183	795,211	357,976
Reimbursement from Children's Trust	4,878,812	4,644,570	4,691,341
	$ 382,522,216	$ 359,271,275	$ 356,874,244
DCFS Federal Projects Fund - 0566			
Federal Government - DHHS	$ 4,414,754	$ 6,809,950	$ 5,946,465
Other State Agencies	25,000	745,882	251,537
	$ 4,439,754	$ 7,555,832	$ 6,198,002
DCFS Special Purpose Trust Fund - 0582			
Private organizations or individuals	$ 2,228	$ 77,687	$ 175,187
Putative Father Fees	36,124	46,840	-
	$ 38,352	$ 124,527	$ 175,187
TOTAL DEPARTMENT RECEIPTS	$ 401,444,065	$ 380,027,837	$ 376,314,921

Note: This schedule was prepared from Department records and includes cash receipts in-transit at June 30, to the State Treasury.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2016 and 2015

2016

	0001 General Revenue Fund	0220 DCFS Children's Services Fund	0566 DCFS Federal Projects Fund	0582 DCFS Special Purpose Trust Fund	0934 Child Abuse Prevention Fund	Total All Funds
Cash receipts and transfers per DCFS	$ 14,443,743	$ 382,522,216	$ 4,439,754	$ 38,352	$ -	$ 401,444,065
Transfers in transit	(784,091)	783,556	-	-	-	(535)
Prior year and other adjustments	291,226	1,427,763	21,689	-	1,760	1,742,438
Cash receipts and transfers per Comptroller (SB04 report)	$ 13,950,878	$ 384,733,535	$ 4,461,443	$ 38,352	$ 1,760	$ 403,185,968

2015 (Unaudited)

	0001 General Revenue Fund	0220 DCFS Children's Services Fund	0566 DCFS Federal Projects Fund	0582 DCFS Special Purpose Trust Fund	0934 Child Abuse Prevention Fund	Total All Funds
Cash receipts and transfers per DCFS	$ 13,076,203	$ 359,271,275	$ 7,555,832	$ 124,527	$ -	$ 380,027,837
Prior year and other adjustments	527,326	1,331,323	48,210	-	-	1,906,859
Cash receipts and transfers per Comptroller (SB04 report)	$ 13,603,529	$ 360,602,598	$ 7,604,042	$ 124,527	$ -	$ 381,934,696

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2016, 2015 (Unaudited) and 2014

The Illinois Department of Children and Family Services' (Department) explanations for significant fluctuations in expenditures greater than $250,000 and 20% of total expenditures in that category as presented in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Schedule 3) are detailed below.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2014 AND 2015

General Revenue Fund 0001

Lump Sum, operations

The Department had the ability to pay Attorney General employees, who work for the Department, from various pay codes during fiscal year 2014 instead of the lump sum appropriation. These payments were moved back to the lump sum appropriation in in fiscal year 2015 causing the increase in expenditures.

DCFS Children's Services Fund 0220

Tort claims

The decrease in expenditures was due to the number of claims filed decreasing. The number of claims can vary significantly from year to year.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2015 AND 2016

No fluctuations between fiscal years 2015 and 2016 exceeding the $250,000 and 20% threshold were noted.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2016, 2015 (Unaudited) and 2014

The Illinois Department of Children and Family Services' (Department) explanations for significant fluctuations in receipts greater that $250,000 and 20% as presented in the Comparative Schedule of Cash Receipts (Schedule 5) are detailed below.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2014 AND 2015

DCFS Children's Services Fund 0220

Miscellaneous

This increase was due primarily to the Department's policy guide change stating the Department will distribute all emancipation funds directly to youth with an open case and, as a result, all accrued funds held by providers and trust funds on behalf of youth were returned to the Department.

DCFS Federal Projects Fund 0566

Other State Agencies

This increase was due to the receipt of approximately 87% of the Illinois State Board of Education Race to the Top grant (total grant of $750,000) and the receipt of the final payment of a 2-year pass through Sexual Health grant with the Department of Human Services during fiscal year 2015.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2015 AND 2016

General Revenue Fund 0001

Miscellaneous

This increase was due primarily to the receipt of seizure funds during fiscal year 2016 from the Office of the State's Attorney relating to a pre-2010 fraud case.

DCFS Children's Services Fund 0220

Miscellaneous

This decrease was due primarily to the Department's policy guide change stating the Department will distribute all emancipation funds directly to youth with an open case and as a result in fiscal year 2015 all accrued funds held by providers and trust funds on behalf of youth were returned to the Department.

DCFS Federal Projects Fund 0566

Federal Government – DHHS

This decrease was due to the timing of federal receipts for the Trauma Focus program. The majority of fiscal year 2014 invoices were received late and payments made during lapse period fiscal year 2014. Federal grants end 3 months after the State fiscal year, therefore receipts for the federal matching of fiscal year 2014 expenditures occurred during fiscal year 2015. This resulted in fiscal year 2015 receiving federal funds related to both fiscal years 2014 and 2015 expenditures. During fiscal year 2016 the receipts were only for one year of federal matching instead of two.

Other State Agencies

This decrease was due primarily to the receipt of approximately 87% of the Illinois State Board of Education Race to the Top grant (total grant of $750,000) during fiscal year 2015. The remaining balance was received during fiscal year 2016.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2016 and 2015

The Illinois Department of Children and Family Services' (Department) explanations for significant lapse period spending as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2016 and 2015 (Schedules 1 and 2) are detailed below. For purposes of this analysis, significant lapse period spending is defined as $100,000 and 20% or more of the total expenditures in that category.

Fiscal Year 2015 (Unaudited)

General Revenue Fund 0001

EDP

Significant lapse period spending was due to the majority of invoices being received late in the fiscal year.

Lump Sum and Other Purposes

Significant lapse period spending was due to June payroll for June 30th pay date and billings that are inherently delayed due to the nature and timing of billing (University contracts and DCMS Revolving Fund billings).

DCFS Children's Services Fund 0220

Awards and Grants

Significant lapse period spending was due to delays in receipt of university billings and contract monitors requiring additional reviews for certain contracts at fiscal year end to avoid overpayments. This line also includes numerous providers on a quarterly billing program.

DCFS Federal Projects Fund 0566

Lump Sum and Other Purposes

Significant lapse period spending was due to Federal grant funding periods generally ending either September 30 or December 31. Payments are primarily grants to universities and non-profit organizations who bill for these special programs on a quarterly basis, resulting in large payments during lapse period.

Fiscal Year 2016

General Revenue Fund 0001

EDP

Significant lapse period spending was due to a $300,000 payment for software made for the State-wide child 360 project.

Telecommunications

Significant lapse period spending was due to DCMS billings that are inherently delayed due to the nature and timing of the billing.

Lump Sum and Other Purposes

Significant lapse period spending was due to June payroll which are inherently delayed due to the nature and timing of billing (University contracts and DCMS Revolving Fund billings).

DCFS Children's Services Fund 0220

Lump Sum and Other Purposes

Significant lapse period spending was due to billings that are inherently delayed due to the nature and timing of the billing (University contracts). Providers were also encouraged to settle billing differences during lapse to avoid court of claims.

Awards and Grants

Significant lapse period spending was due to delays in receipt of university billings and contract monitors requiring additional reviews of certain contracts at fiscal year end to avoid overpayments. This line also includes numerous providers on a quarterly billing program.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2016 and 2015
(Amounts Expressed in Thousands)

The Department has two categories of accounts receivable. Parental accounts receivable are a result of fees assessed to parents of children who are receiving benefits on behalf of children from the Department through foster care or other services. Board accounts receivable are a result of overpayments by the Department to providers of care for the children.

(Per Department records)

General Revenue Fund (0001)	2016	2015 (Unaudited)
Parental accounts receivable	$ 56	$ 63
Less: allowance for uncollectibles	55	61
	1	2
Board accounts receivable	3,389	3,166
Less: allowance for uncollectibles	2,936	2,707
	453	459
Accounts Receivable, Net	$ 454	$ 461

2016 Aging of Receivables	0 - 60 Days	Over 60 Days	Total
Parental accounts receivable	$ -	$ 56	$ 56
Board accounts receivable	$ 211	$ 3,178	$ 3,389

2015 Aging of Receivables (Unaudited)	0 - 60 Days	Over 60 Days	Total
Parental accounts receivable	$ -	$ 63	$ 63
Board accounts receivable	$ 184	$ 2,982	$ 3,166

Note: The Department uses both the Comptroller's offset system and a private collection agency to attempt collection of accounts receivable. If the collection agency is unable to collect the account receivable and the amount owed is $1,000 or more, the Department submits the account to the Attorney General for suit.

Agency Functions Description

The Department of Children and Family Services (Department) is mandated to provide protective and preventive services to children and their families. The Department responds to this charge by directing programs which protect children who are at risk of harm, administering comprehensive community-based systems of youth services and family support, remedying family problems that place children at risk of being removed from their homes, providing children with a safe, nurturing environment when out-of-home placement is needed, and when appropriate, placing children in suitable adoptive homes.

The Department's mission is based upon the conviction that children must have a consistent nurturing environment to achieve optimal growth and development. Permanency goals are established for each child in the Department's care that reflects the individual needs of each child and family. During service provision, a child's goal may be remaining at home, returning home, adoption, permanent family placement, independence or (in rare instances) continued out-of-home care.

Five Department service delivery programs are designed to achieve these client goals: Protective Services, Family Maintenance, Family Reunification and Substitute Care, Adoption and Guardianship and Accountability.

The Department's Director is George H. Sheldon. Mr. Sheldon's offices are located at 406 East Monroe Street, Springfield, Illinois and 6th floor, James R. Thompson Center, 100 W. Randolph, Chicago, Illinois.

Protective Services

Child Protective Services begin with a receipt of a report alleging abuse or neglect at the Department's 24-hour hotline at the State Central Register. An investigation of the report is initiated within 24 hours of its receipt. The investigation is conducted for the purpose of determining whether credible evidence of child abuse or neglect exists and whether the family can benefit from protective services. When such service needs are identified, Department staff arranges for those services to be initiated. The differential intensity, duration and protective character of the services offered is determined by whether the report is determined to be credible and ruled founded or determined to be not credible and ruled unfounded.

Family Maintenance

The Family Maintenance program is designed to prevent the need for out-of-home placement of children. Services provide support and training in order to promote the development of an improved home environment that ensures the child's well-being and safety. Both Department and private agency staff provide case management and social work to these children and families.

Given that case management services are best provided prior to an incident that necessitates out-of-home placement, the Department continues to invest necessary resources in the "front end" of the service delivery system. Consequently, the Department has intensified its intact family services through the addition of special high risk intact positions working with the most difficult cases. Intact family services are voluntary services provided to families whose cases do not result in temporary custody being taken of children. By focusing on intact family services when appropriate, and front-loading the services, involvement with families is directed toward short-term interventions.

<u>Adoption and Guardianship</u>

When it is inappropriate or not possible to return a child to the natural family, adoption is viewed as a desirable alternative. The child's need for a safe, nurturing and permanent home is the paramount factor when considering adoption. Adoption assistance is available to families who are considering adopting children with special needs for whom the Department is legally responsible and who cannot be adopted without a subsidy. Such assistance includes one-time cash payments for legal fees, monthly subsidy payments and a Medicaid card. Payment for services to address physical, emotional and mental health needs for pre-existing conditions, not payable through other sources, may be provided in accordance with the subsidy through post-adoption services.

<u>Family Reunification and Substitute Care</u>

Family Reunification and Substitute Care services are critical components of the Department's family focused programs. Family Reunification addresses the problems of dysfunctional families through the provision of intensive in-home services. Substitute care is provided to the children in need of placement, with the goal of returning the children to a stabilized home environment. The effective provision of service to families and children includes the responsibility of licensing all childcare facilities and a review of open child cases every six months. Childcare facilities include all foster homes, institutional and group homes. Both Department and private agency staff provide case management and social work to these children and families.

In addition, day care services for children and their families are provided to enable the parent(s) to participate in education and training programs; to provide alternate care for children in danger of neglect, abuse or exploitation; to reduce the need for the out-of-home placement of children; and to subsidize appropriate child care for working parents with low incomes. The Department licenses day care facilities and homes.

<u>Accountability</u>

Oversight and monitoring must be provided to ensure services are provided in a manner consistent with good practice and established quality measures. Programs such as Administrative Case Review, Licensing Enforcement and Monitoring help to ensure that goals and outcomes are met throughout the Department. Central Administration, Audits, Legislative Affairs, Communications, Legal Services, Management and Budget, and Financial Management provide essential support for the entire agency.

<u>Agency Planning Program</u>

The Department prepares and coordinates the Child and Family Services Plan (CFSP), a plan based on the requirements of Titles IV-B and IV-E of the Social Security Act and Illinois laws. Implementation and administration of the CFSP are the responsibilities of the various organizational units of the Department that perform substantive program, support, and administrative functions.

The Department's most recent CFSP covers 2015-2019 and includes those objectives, action steps and activities that the Department plans to implement during the federal fiscal years 2015-2019. For those objectives identified, the Department develops the measures and baseline for annually reporting its progress in an Annual Progress and Services Report (APSR). Prior to developing the APSR every year, the Department considers the action steps to meet the objectives with needs assessment information.

The planning cycle is coordinated with the budgeting cycle so the Department's stated goals and priorities provide direction in the allocation of resources. Guided by the evaluation and the Director's statement of priorities, projections of service needs and performance objectives, fiscal planners in the Department coordinate operating units in preparing the Department's budget and reviewing it with the Governor's Office of Management and Budget.

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Department of Children and Family Services (Department) to pay fiscal year 2016 costs using the Department's fiscal year 2017 appropriations for non-payroll expenditures. The following chart shows the Department's plan to expend its fiscal year 2017 appropriations to cover its fiscal year 2016 costs:

	OUTSTANDING FISCAL YEAR 2016 INVOICES		
Fund No.	Fund Name	Number	Dollar Value
0220	Children's Services Fund	321	$1,033,689

Transactions Involving the Illinois Finance Authority

The Department of Children and Family Services (Department) and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during fiscal year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

The following chart shows the Department's VPP transactions:

	Fiscal Year Ended June 30,	
	2016	2015
Dollar Value	$ -0-	$ 214,707
Vendors	-	7
Invoices	-	111

Vendor Support Initiative Program (VSI)

During fiscal year 2016, none of the Department's vendors participated in the Vendor Support Initiative Program (VSI).

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
INTEREST COSTS ON FISCAL YEAR 2016 INVOICES (UNAUDITED)
For the Two Years Ended June 30, 2016

Prompt Payment Interest Costs

The Department of Children and Family Services (Department) has calculated prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during fiscal year 2016. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Department. The following chart shows the Department's prompt payment interest incurred related to fiscal year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED
Year Ended June 30, 2016

Fund#	Fund Name	Invoices	Vendors	Dollar Value
0001	General Revenue Fund	88	74	$ 7,075
0220	Children's Services Fund	6	6	154,810
		94	80	$ 161,885

The amounts reported above are included in accounts payable at June 30, 2016.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)
For the Fiscal Years Ended June 30, 2016, 2015 and 2014

The following information was developed through analysis of headcount schedules.

	2016	2015	2014
Child welfare	610	571	608
Child protection	853	891	938
Purchase of service monitoring	386	428	380
Budget and finance	292	295	176
Central administration	102	109	161
Administrative case review	-	-	44
Office of the guardian	30	29	61
Clinical services	96	93	89
AFCAR/SACWIS	56	60	69
Quality assurance	-	-	31
Title IV-E reimbursements	14	15	17
Inspector general	19	18	17
Targeted case management	36	47	26
Foster care/adoption training	19	5	2
Attorney general CW litigation	7	6	1
Foster care initiative	5	24	5
Independent living initiative	3	4	4
Children's Justice Act	1	1	1
MCO Technical Assist	1	1	-
Fed Child Welfare Projects	4	-	-
Health care network	1	1	-
	2,535	2,598	2,630

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
EMERGENCY PURCHASES (UNAUDITED)
For the Fiscal Years Ended June 30, 2016 and 2015

Fiscal Year	Vendor	Description	Estimated	Actual Cost
2015	Infant Parent Institute	Continuation of Medicaid Community Mental Health Services	$ 398,286	$ 173,409
2016	Informatica LLC	360-Degree View of a Child Program Implementation	$ 1,203,576	$ 1,203,576

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SERVICE EFFORTS AND ACCOMPLISHMENTS
(UNAUDITED)
For the Fiscal Years Ended June 30, 2016 and 2015
(Amounts Expressed in Thousands)

The following data was extracted from information reported by the Department for inclusion in the Illinois Office of the Comptroller's Public Accountability Report.

The mission of the Department is to:

1. Protect children who are reported to be abused and neglected and to increase their families' capacity to safely care for them;
2. Provide for the well-being of children in its care;
3. Provide appropriate, permanent families as quickly as possible for those children who cannot safely return home;
4. Support early intervention and child abuse prevention activities; and
5. Work in partnership with communities to fulfill this mission.

To achieve this mission the Department utilized its employees and a broad network of private service providers throughout the state. Private agencies are the primary service provider for more than three-fourths of the children in foster care and all children in residential placements.

The Department's major program areas are as follows:

Protective Services – Operates the Child Abuse Hotline; conducts child abuse/neglect investigations; licenses Day Care Centers, foster homes, child welfare agencies, and institutions.

Family Maintenance – Delivers services to families to assure child safety so that children can remain in or return to the home.

Adoption and Guardianship – Recruits, supports and maintains adoptive/guardianship homes to which children who cannot return home are placed for permanent settings.

Family Reunification and Substitute Care – Assures permanency for children, prepares families for reunification, and ensures the well-being and safety of children who are placed outside their homes due to abuse, neglect or dependency.

Support Services – Established best practice standards, maintains department systems, reports on agency performance, provides administrative support and monitors many department accountability practices.

Department of Children and Family Services - Protective Services

Mission Statement: Protect children, who are reported to be abused and neglected, by assuring their safety in making service provision, placement and permanency planning decisions; by licensing of foster homes, group homes, child care institutions and day care facilities; and by enhancing their families' capacity to safely care for them. Provide for the well-being of children in our care. Support early intervention and child abuse prevention activities. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

1 Reports of child abuse/neglect reports will be investigated promptly, safety ensured, and subsequent abuse/neglect prevented.
2 Increase child safety after agency involvement.
3 Improve responsiveness of the child abuse and neglect hotline.

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, Child Abuse Prevention Fund

Statutory Authority: Children & Family Services Act

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 126,209.6	$ 119,560.4	N/A	$ 118,099.2	$ 124,567.7
• Total expenditures – state appropriated funds (in thousands)	$ 126,209.6	$ 119,560.4	N/A	$ 118,099.2	$ 124,567.7
• Average monthly full-time equivalents	1,064.0	1,080.0	N/A	1,077.0	1,041.0
Output Indicators					
• Family reports investigated	67,747	67,734	N/A	78,581	72,600
• Hotline calls	231,536	222,719	N/A	245,388	246,200
• Children investigated	109,782	110,079	N/A	127,249	118,300
Outcome Indicators					
• Number of indicate family reports	19,105	19,337	N/A	18,910	20,700
• Percentage of investigations indicated	28.2%	28.5%	N/A	24.1%	28.5%
• Percentage of investigations initiated within 24 hours	99.4%	99.7%	N/A	99.2%	99.5%
• Percentage of investigations completed within 60 days	94.0%	93.3%	N/A	87.4%	94.5%

Department of Children and Family Services - Family Maintenance

Mission Statement: Support and stabilize families so that children can safely return home or, if they have been removed, quickly return home.

Program Goals:

Objectives:

1 Provide effective in-home services to maintain stable family environments and prevent subsequent abuse.
2 Provide effective programs to minimize intake into substitute care.
3 Improve parenting skills and deter substance abuse.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 33,708.8	$ 48,496.4	N/A	$ 47,354.8	$ 46,955.7
• Total expenditures – state appropriated funds (in thousands)	$ 33,708.8	$ 48,496.4	N/A	$ 47,354.8	$ 46,955.7
• Average monthly full-time equivalents	31.0	25.0	N/A	31.0	30.0
Output Indicators					
• Intact families at end of fiscal year	3,677	3,066	N/A	3,056	3,300
• Family cases closed	7,558	7,105	N/A	6,306	6,025
Outcome Indicators					
• Intact family cases open over 12 months	709.0	619.0	N/A	616.0	666.0

Department of Children and Family Services - Adoption and Guardianship

Mission Statement: Provide new permanent homes for children in Department's care who cannot safely return to or remain with their biological families. To provide for the well-being of children in adoptive placement. To provide support to adoptive parents before and after adoption-consummation. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

1. Support and maintain children in adoptive and guardianship homes.
2. Maintain children in adoptive and guardianship homes.
3. Stabilize placements in adoptive homes and subsidized guardianships.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 198,261.1	$ 194,696.8	N/A	$ 187,663.4	$ 186,205.4
• Total expenditures – state appropriated funds (in thousands)	$ 198,261.1	$ 194,.696.8	N/A	$ 187,663.4	$ 186,205.4
• Average monthly full-time equivalents	79.0	64.0	N/A	72.0	70.0
Output Indicators					
• Number of children receiving adoption payments (end of year)	21,202	20,498	N/A	19,528	19,248
• Number of children receiving guardianship payments (end of year)	3,035	2,972	N/A	2,810	2,824
Outcome Indicators					
• Number of children adopted	1,495	1,838	N/A	1,560	1,720
• Number of children to guardianship	324.0	457.0	N/A	312.0	410.0

Department of Children and Family Services - Family Reunification and Substitute Care

Mission Statement: Ensure the well-being, safety and permanency of children who are placed outside their homes due to abuse, neglect or dependency. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

1 Children placed outside of the home are protected from abuse and neglect.
2 When in care, children are placed close to home, in the least restrictive setting, and in a stable environment.
3 Return children home or move them into an alternative permanency quickly.
4 Have a process in place to allow children to achieve their highest educational outcomes, given their capabilities and desires.
5 When in care, children receive appropriate and necessary physical and mental health care services.

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, DCFS Special Purposes Trust Fund

Statutory Authority: Children & Family Services Act

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 714,610.8	$ 704,057.1	N/A	$683,677.1	$ 740,803.3
• Total expenditures – state appropriated funds (in thousands)	$ 714,610.8	$704,057.1	N/A	$683,677.1	$ 740,803.3
• Average monthly full-time equivalents	891.0	852.0	N/A	831.0	940.0
Output Indicators					
• Children in independent living	727.0	669.0	N/A	597.0	645.0
• Children in regular foster care	4,093	4,001	N/A	3,830	3,850
• Children in relative care	6,311	6,428	N/A	6,769	6,872
• Children in residential placements	1,331	1,207	N/A	1,104	950
• Children in specialized foster care	2,664	2,436	N/A	2,338	2,307
• Children with "return home" goal	6,854	6,762	N/A	N/A	6,716
• Children placed outside home (end of year) – paid placements	15,126	14,741	N/A	14,638	14,704
Outcome Indicators					
• Child cases closed	5,602	5,481	N/A	5,233	5,600
• Percentage of children returned home	15.5%	17.1%	N/A	17.2%	13.9%
• Percentage of children served within the year moved to permanency	29.4%	34.7%	N/A	31.8%	30.4%
• Percentage of sibling groups placed all or partially together	83.7%	83.3%	N/A	82.9%	83.5%
• Number of children returned home	2,025	2,240	N/A	2,219	1,795
• Median length of time open for children in substitute care (yrs)	2.1	2.1	N/A	2.1	2.1

Department of Children and Family Services - Accountability

Mission Statement: Ensures quality services are provided through Licensure and Monitoring activities. This includes licensing Day Care Centers, foster homes, child welfare agencies, and institutions. In addition, state staff oversee the provision of services by private agencies and conducts semi-annual reviews of all children in state custody.

Program Goals:

Objectives:

1 Enforce Licensing standards to endure the health, safety and well-being of children and youth.
2 Monitoring to ensure quality child welfare services are delivered in a timely manner.
3 Promote permanency and continuity for every child in substitute care.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 56,352.1	$ 51,054.1	N/A	$ 50,120.3	$ 52,847.1
• Total expenditures – state appropriated funds (in thousands)	$ 56,352.1	$ 51,054.1	N/A	$ 50,120.3	$ 52,847.1
• Average monthly full-time equivalents	550.0	558.0	N/A	557.0	563.0
Output Indicators					
• Total number of DCFS licensed child welfare agencies	169.0	166.0	N/A	156.0	160.0
• Total number of licensed foster homes	11,307	10,539	N/A	10,392	10,760
• Total number of licensed day care facilities	12,051	11,213	N/A	10,036	10,690
• Total number of licensed institutions & group homes	200.0	190.0	N/A	183.0	190.0
• Annual Case Reviews (ACR) held	17,941	17,911	N/A	17,583	17,812
Outcome Indicators					
• Percentage of wards receiving required ACR's	97.7%	98.3%	N/A	98.6%	97.5%
• Percentage of agency & institution licensing renewals completed	92.1%	79.4%	N/A	74.2%	90.2%
• Percentage of agency performance monitoring reviews held	N/A	98.0%	N/A	98.3%	98.7%

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF INDIRECT COST REIMBURSEMENTS (UNAUDITED)
For the Years Ended June 30, 2016, 2015 and 2014

The Department negotiates indirect cost reimbursement rates with the U.S. Department of Health and Human Services (DHHS). The indirect cost rates are used to support claims for indirect costs pertaining to grants and contracts with the federal government. The Department contracts the rate proposal and negotiation process to a professional consultant.

The rates are approved by DHHS in accordance with OMB Circular A-87, subject to any statutory or administrative limitations. Initially, provisional rates are determined and used. Final rates are eventually determined, generating possible over/under recovery of indirect costs, which are considered as prior claims are adjusted.

Cost base: Direct salaries and wages excluding all fringe benefits.

	Rates			Actual Amounts Reimbursed for Indirect Costs		
	(b)	(a)		2016	2015	2014
Costs applicable to:	FY16	FY15	FY14			
Division of Support Services: Central Payment, FFP, Case Assignment and Day Care Unit	26.3%	30.3%	28.4%	$ 255,293	$ 277,428	$ 278,549
Training	50.8%	54.7%	53.1%	241,459	247,462	191,749
Child Protection and Child Welfare Services	23.7%	28.0%	25.9%	3,610,717	4,061,165	4,037,548
Administrative Case Review	19.0%	19.1%	21.1%	295,415	286,157	316,038
Service Intervention including Housing & Cash Assistance, Placmt/Perm & Post Adopt	20.2%	20.5%	22.3%	408,977	406,454	406,550
Monitoring/Quality Assurance	20.5%	21.1%	22.6%	1,170,894	1,145,073	1,334,222
AFCARS/SACWIS	15.5%	17.5%	17.8%	191,478	202,801	193,019
Central Administration: Juvenile Court & Legal Permanency and Child & Family Policy	15.6%	19.5%	19.2%	241,511	150,906	166,913
Clinical Services	20.6%	20.7%	22.8%	155,990	156,489	178,941
Office of the Guardian/Advocacy	20.2%	20.7%	22.3%	357,050	350,862	369,619
			Total	$ 6,928,783	$ 7,284,797	$ 7,473,148

(a) Fiscal Year 2015 is last approved rate agreement.
(b) Provisional rate used until final rate is approved.