STATE OF ILLINOIS
DEPARTMENT OF CHILDREN
AND FAMILY SERVICES

COMPLIANCE EXAMINATION
For the Year Ended June 30, 2004
Performed as Special Assistant Auditors for
The Auditor General, State of Illinois

State of Illinois
Department of Children and Family Services

Compliance Examination
For the Year Ended June 30, 2004

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State of Illinois
Department of Children and Family Services

Compliance Examination
For the Year Ended June 30, 2004

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A separate financial audit for the year ended June 30, 2004 has been issued under separate cover.

Department Officials
Year Ended June 30, 2004

Director	Mr. Bryan Samuels
Deputy Director and Chief Financial Officer	Ms. Barbara Piwowarski
Legal Counsel	Ms. Elizabeth Yore

Department administrative offices are located at:

406 East Monroe
Springfield, IL 62701

November 10, 2004

McGladrey & Pullen, LLP
20 N. Martingale, Suite 500
Schaumburg, Illinois 60173

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 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 period ended June 30, 2004. Based on this evaluation, we assert that during the year ended June 30, 2004, the Agency 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. The 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. The 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,

Department of Children and Family Services

____
Bryan Samuels, Director

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Barb Piwowarski, Deputy Director and Chief Financial Officer

Elizabeth Yore, Legal Counsel

Compliance Report
Summary
For the Year Ended June 30, 2004

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

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	15	11
Repeated findings	8	8
Prior recommendations implemented or not repeated	3	4

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 10, 2005. Responses to the recommendations were provided by Director Bryan Samuels in a letter dated February 23, 2005.

Attending the exit conference were:

Department of Children and Family Services

Barb Piwowarski, Chief Financial Officer
Tom Berkshire, Chief of Staff
Ray Piiparinen, Financial Analyst
Marvin Becker, Manager

McGladrey & Pullen, LLP

Joseph Evans, Partner
Heather Morandi, Supervisor

Office of the Auditor General

Karen Appelbaum, Manager

McGladrey & Pullen

Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
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 year ended June 30, 2004. 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. The 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 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 aforementioned requirements during the year ended June 30, 2004. However, the results of our procedures disclosed instances of noncompliance with those 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 State findings as findings 04-1 to 04-15. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Department's internal control over compliance with the aforementioned requirements in order to determine our examination procedures 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.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control 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 State findings as findings 04-1 to 04-15. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2004, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 10, 2004. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2004 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, 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, 2003. In our report dated December 5, 2003, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unauditied," is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2003, taken as a whole.

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.

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 10, 2004

McGladrey & Pullen
Certified Public Accountants

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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each 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, 2004, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 10, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies which we have reported to management of the Department in a separate letter dated November 10, 2004.

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*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Department in a separate letter dated November 10, 2004.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 10, 2004

Finding #04-1 – Efficiency Initiative Payments

The Department of Children and Family Services (Department) made payments for efficiency initiative billings from improper line item appropriations.

Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and reengineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by the Department of Central Management Services (CMS) shall be paid into the Efficiency Initiatives Revolving Fund. **"State agencies shall pay these amounts…from the line item appropriations where the cost savings are anticipated to occur."** (30 ILCS 105/6p-5)

During FY04, the Department received three billings totaling $6,537,191 from CMS for savings from efficiency initiatives. The initiatives and amounts billed to the Department were:

Billing Date	Initiative	Billed Amount
9/19/03	Procurement Efficiency	$3,354,000
9/19/03	Information Technology	$3,169,737
9/19/03	Vehicle Fleet Management	$13,454
	Total:	$6,537,191

The Department did not receive guidance or documentation with the billings from CMS detailing from which line item appropriations savings were anticipated to occur. According to Department staff, the Department has not experienced any savings from the initiatives. The only guidance received was the amount of payments that should be taken from General Revenue Funds ($5,346,387) versus Other Funds ($1,190,804) for the September 2003 billings. The Department paid all the billings from General Revenue Fund appropriations.

Based on our review, we question whether the appropriate appropriations, as required by the State Finance Act, were used to pay for the anticipated savings. For example, Vehicle Fleet Management Initiative billings were not paid from the Department's Operation of Auto Equipment appropriation. Similarly, Information Technology Initiative billings were not paid from EDP-related appropriation lines.

Rather, we found that the Department made payments for these billings **not** from line item appropriations where the cost savings were anticipated to have occurred but from line items that simply had available monies to make payments from. For example, the Department used:

- $2,887,191 from personal services line item appropriations from the Child Welfare-Downstate Regions division for partial payment on the Procurement Efficiency Initiative.
- $2,500,000 from personal services line item appropriations from the Child Welfare-Cook Region division for partial payment on the Procurement Efficiency and Information Technology Initiatives.
- $1,150,000 from personal services line item appropriations from the Child Protection-Cook Region division for payment on all three initiatives.

The table below provides an illustration of the specific funds and line items the Department used to make payments for the efficiency initiatives. Additionally, the table illustrates which efficiency initiatives were paid from the various line item appropriations.

Finding #04-1 – Efficiency Initiative Payments – Continued

Fund	Line Item Appropriation	Amount Paid	Total Appropriation for Line Item	Efficiency Initiative [1]
GRF	For Personal Services	$5,734,100	$107,891,300	P, IT
GRF	For Employer Paid Retirement	$803,091	$14,399,100	P, IT, V
[1] Legend: P-Procurement; IT-Information Technology; V-Vehicle Fleet Management				

Use of appropriations unrelated to the cost savings initiatives results in non-compliance with the State Finance Act. Furthermore, use of appropriations for purposes other than those authorized by the General Assembly effectively negates a fundamental control established in State government. Finally, use of funds unrelated to the savings initiative may result in an adverse effect on services the Department provides.

According to staff from CMS, efficiency initiatives billings will continue into the next fiscal year. (Finding Code No. 04-1)

Recommendation

We recommend the Department only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, the Department should seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.

Department Response

While the finding questions the appropriation lines used for the transfers, some of the savings were expected to be in the payroll appropriations as a result of potential consolidation of staff but other appropriation line items would have also been impacted. The Department intended to make appropriate expenditure transfers to the lines that savings actually occurred once they were realized. CMS will provide information to the Department on the method by which savings estimates were derived.

We agree that the reportable condition described is not a material weakness as described in the Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards. The payments of efficiency billings were considered transfers for financial reporting purposes and some of the savings were expected to be payroll as a result of potential consolidation of staff but other appropriation line items could have also have been impacted. The immediate savings was a reduction in appropriation availability to the Department.

Finding #04-2 – Child Welfare Files

The Department's Child Welfare (Title IV-B, Part I) and Foster Care and Intact Family Case files lacked required documentation.

During our review of the case files, we noted the following required documentation was not maintained in the file or was not prepared timely for our sample of 60 files:

- Six (6) initial case service plans (10%) were not maintained in the file, eight (8) initial case plans (13%) were not prepared within 30 days and six (6) initial case plans (10%) were not prepared within 45 days;
- One (1) case file (2%) was unable to be obtained in its entirety;
- Nineteen (19) administrative case reviews (32%) were not prepared timely; and
- Three (3) medical and dental consent forms (5%) were not maintained in the case file.

We selected an additional 30 files to test for current photographs maintained in the case file. Six (6) case files (20%) did not contain current photos of the child.

Following is a table of the exceptions above categorized by the date the child entered the system:

	Fiscal Years					
	1995-1996	1997-1998	1999-2000	2001-2002	2003-2004	Total
Initial Case Plan Not in File	-	-	1	3	2	6
Initial Case Plan Not Prepared Within 30 Days	-	-	3	5	-	8
Initial Case Plan Not Prepared Within 45 Days	-	-	-	2	4	6
Case File Not Located for Testing	-	-	-	1	-	1
Administrative Case Reviews Not Prepared Timely	1	1	5	11	1	19
Medical and Dental Consent Forms Not in File	-	-	-	3	-	3
Current Photographs are Not Maintained in File	-	-	1	2	3	6

Department Procedure 315.100 and State requirements (705 ILCS 405/2-10.1, Juvenile Court Act of 1987) require that an initial service plan be developed within 45 days of placement (within 30 days of placement for cases opened prior to 5/24/02), administrative case reviews by a court or administrative body are required no less frequently than once every six months after the date of placement, and an initial health screening by a qualified medical provider within 24 hours after placing a child in protective custody.

Finding #04-2 – Child Welfare Files – Continued

The Department's Administrative Procedure #5 (Child Welfare Case Record Organization & Uniform Recording Requirements) provides guidance on documentation and maintenance of information in the same manner statewide.

Department officials indicated the Department was unable to fulfill the case file reporting requirements because of the high volume of cases assigned to the caseworkers.

The failure to follow Department procedures and State law and document such procedures is not in the best interest of the children being served. (Finding Code No. 04-2, 03-1, 02-2, 00-10, 99-5, 98-6)

Recommendation

We recommend the Department continue to stress to all caseworkers the importance of preparing and completing the Initial Case Plans timely and retaining the appropriate documentation to comply with State requirements.

Department Response

The Department continues to stress the importance of adequate and timely documentation for child and family cases. The Department has been implementing revised practices for providing childcare using the new practices in designing and implementing a new information system. It is our intention to include controls for much of the required documentation in the new system. Additionally, as noted in the chart shown in the finding, many of the cases selected in the sample were opened prior to the current year. We cannot correct those failures, however we strive to ensure current requirements are met.

Finding #04-3 – Untimely Approval of Vouchers

The Department did not adequately approve all vouchers or process them in a timely manner.

While examining 549 vouchers, we noted the following:

- Thirty-eight (38) vouchers (7%) were not approved or denied within 30 days of receiving the vendor invoice (approvals range from 32 to 370 days after receipt of the invoice); and
- Sixteen (16) vouchers (3%) were not paid within sixty days of receipt of the vendor invoice.

SAMS procedure 17.20.45 and the Illinois Administrative Code {74 IL Adm. Code 900.70(a)} require the Department review in a timely manner each bill after its receipt to determine if the bill is proper. Proper bills or bills with defects, in whole or in part, shall be approved or denied within 30 days after receipt. Vendor bills denied during the 30 day period shall be assigned a new date of receipt when a corresponding proper bill is subsequently received. Proper bills should be approved within 30 days of receipt of the invoice to avoid interest penalties. Any bill approved for payment under the Act must be paid within 60 days of the receipt of the proper bill. If a vendor bill is approved, in whole or in part, after the required 30 day period to approve or deny bills, late payment interest shall be due for the approved portion of the bill if the date of payment is not within 60 days after receipt of the proper bill or part of the bill.

Department officials indicated the failure to meet the requirements resulted from the high volume of vouchers received each day at the Department.

Failure to adequately approve all vouchers and process them timely could result in the misappropriation of State funds or interest penalties. (Finding Code No. 04-3)

Recommendation

We recommend the Department adequately review and approve all vouchers and process them in a timely manner.

Department Response

The Department agrees with the finding that vouchers received should be adequately reviewed, approved, and processed in a timely manner. Once vendor invoices are received, we believe it is also important to see that adequate documentation is available to support that the items being billed were received and all other terms of the billing are correct. We will continue to review our procedures to process invoices, once approved, in a timely manner and make changes in the procedures as necessary. However, the Department is not in control of portions of the payment process; vouchers processed by the Department are forwarded to the Office of Comptroller for payment and processing time at that agency is included in the 60 days.

Finding #04-4 – Timely Submission of GAAP Packages

The Department did not submit the GAAP packages to the State Comptroller's Office on a timely basis.

The GAAP packages for funds 001, 094, 220 and 566 were required to be submitted to the State Comptroller's Office no later than September 10, 2004 according to a memorandum from the State Comptroller's Office dated July 20, 2004. The GAAP packages for these funds were submitted as follows:

Fund Number	Fund Description	Date Due	Date Submitted	Days Late
001	General Fund	September 10, 2004	September 15, 2004	5
094	DCFS Training Fund	September 10, 2004	September 15, 2004	5
220	Children's Services Fund	September 10, 2004	September 20, 2004	10
566	Federal Projects Funds	September 10, 2004	September 19, 2004	9

Department officials indicated the GAAP packages were not filed on a timely basis due to the reconciliation process with the Comptroller.

Late submission of the GAAP packages results in the State Comptroller's Office not having information needed to compile financial data on a timely basis. All individual departments need to adhere to established due dates to ensure the State's Comprehensive Annual Financial Report is completed on a timely basis. (Finding Code No. 04-4)

Recommendation

We recommend the Department establish sufficient procedures to ensure all required GAAP submissions are completed within the required deadlines.

Department Response

We agree that report packages should be submitted timely. The Department was in constant communication with the Comptroller's Office during the FY04 submission process and worked with them to ensure the GAAP Packages submitted did not impact their review. During our review of the packages, the need for prior year adjustments was identified and communicated with the Comptroller's Office. This caused additional work that impacted the GAAP packages for several prior years. The Comptroller's Office's recommendation was to make the adjustments in the current year and to submit the packages when complete.

Finding #04-5 – Overdue Child Abuse/Neglect Report Investigations

Reports of child abuse and neglect are not all being determined within 60 days and proper extensions for good cause are not always obtained.

Department statistics, compiled by the Monitoring/Quality Assurance Division, track reports that are not determined as "unfounded" or "indicated" within the 60-day required time limit. In instances where there is good cause, 30-day extensions are permitted. Otherwise, the reports are considered overdue if not determined within the 60-day period.

Following is a summary of statistics provided by the Monitoring/Quality Assurance Division:

Fiscal Year	Total Reports	Reports Not In Compliance	Percentage of Reports Not In Compliance
2004	62,069	1294	2.08%
2003	58,956	952	1.61%
2002	59,080	492	0.83%
2001	59,003	226	0.38%
2000	61,787	187	0.30%
1999	62,054	1502	2.42%
1998	65,877	2,125	3.23%
1997	68,124	1,223	1.80%

The Abused and Neglected Child Reporting Act (325 ILCS 5/7.12) states the Child Protective Service Unit shall determine, within 60 days, whether a report is "unfounded" or "indicated." It further provides the Department may extend the period in which a determination must be made in individual cases for additional periods of up to 30 days each for good cause.

According to Department personnel, inability to locate individuals critical to the investigations and an inability to recruit and retain sufficient personnel have prevented them from being able to complete some reports within the time requirements of the statute. In some cases, caseworkers failed to request an extension, which would have prevented the missed deadline.

Failure to make a determination of a report within 60 days is a violation of the Act. In addition, it could delay the implementation of a service plan and result in further endangerment of the child. (Finding Code No. 04-5, 03-2, 02-3, 00-8, 99-11, 98-10)

Finding #04-5 – Overdue Child Abuse/Neglect Report Investigations - Continued

Recommendation

We recommend the Department determine reports of child abuse or neglect within 60 days as required by the statute. If determination is not made within the mandated timeframe, follow up should be done to determine the cause. If there is good cause for extending the time limit, this should be documented.

Department Response

The Department will continue in its efforts to achieve 100% compliance. The Division of Child Protection managerial staff works to ensure that reports of child abuse and neglect are completed within 60 days as required by the statute. Management staff of the Division of Child Protection receives weekly ticklers that identify when reports are approaching 60 days and staffing meetings are held accordingly. The purpose of the staffing meetings is to ensure that supervision is occurring with staff to determine if there is a good cause for extending the time limit beyond 60 days.

Finding #04-6 – 24-Hour Investigations

The Department did not initiate an investigation of every child abuse and neglect case within 24 hours of receipt as required by statute. Currently, the Department initiates an investigation for better than 99% of these cases within 24 hours.

The Monitoring/Quality Assurance Division tracks and reports on instances of noncompliance, 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 after a case has been determined. Department supervisors conduct weekly manual reviews of cases assigned to their staff to assure all cases are contacted as quickly as possible.

Department statistics compiled by its Monitoring/Quality Assurance Division indicate the following noncompliance:

Fiscal Year	Total Reports	Reports Not In Compliance	Percentage of Reports Not In Compliance
2004	62,311	268	0.43%
2003	59,397	220	0.37%
2002	59,241	517	0.87%
2001	60,054	141	0.23%
2000	61,787	219	0.35%
1999	62,618	250	0.40%
1998	65,862	461	0.70%
1997	67,657	426	0.63%

The Abused and Neglected Child Reporting Act (325 ILCS 5/7.4(b)(2)) requires investigations "be commenced within 24 hours of receipt of the report."

According to Department personnel, noncompliance occurs for the following reasons:

- Staff recording the wrong initiation date (A.M. instead of P.M.);
- Law enforcement requests due to criminal investigations; and
- Information not getting to the central office in time due to a delay from the field office.

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

Finding #04-6 – 24-Hour Investigations - Continued

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 continues to strive to initiate investigations of all child abuse and neglect reports within 24 hours of receiving reports and achieve 100% compliance. The Division of Child Protection managerial staff continues its efforts to ensure that supervision is occurring when reports are being initiated and that follow-up supervision is occurring to ensure that the supervisor approves the CERAP within 24 hours in order to assess the safety of the alleged victim(s). This is the mandate of all staff that initiates investigations of child abuse and neglect.

Finding #04-7 – Untimely Approval of Contracts

The Department did not have an adequate system in place to ensure that contracts are reviewed and signed on a timely basis.

During our review of 36 contracts, we noted that 18 contracts, totaling $61,938,877, were signed after the beginning of the contract period. All contracts must be approved prior to services being performed.

Number of Contracts	Number of Days Delayed
10	1-30
2	31-60
1	61-90
5	Over 90

Sound internal control requires contracts be reviewed and signed prior to their inception to be binding and enforceable. SAMS procedure 15.20.30 requires that contractors and an authorized representative of the State sign contracts before the services are performed.

Department personnel indicated they are unable to sign contracts until the amount has been appropriated which occurs after the start of the fiscal year.

Failure to obtain signed contracts before the beginning of the contract period does not bind the contractor for compliance with applicable laws, regulations and rules and may result in improper and unauthorized payments. (Finding Code No. 04-7, 03-5, 02-7)

Recommendation

We recommend the Department process and approve the contracts before the beginning of the contract period. A contractual clause can be used to make the contracts effective subsequent to the Department's appropriation being signed into law.

Department Response

The Department agrees with the auditor's comments and recommendation regarding sound internal control procedures. However, we must also comply with the Procurement Code, 30 ILCS 500/20-60, under which we would have to terminate and cancel a contract (not revise it) in any year for which the General Assembly fails to make an appropriation sufficient to make payments under the terms of the contract. As a part of addressing this repeat finding, we have reviewed procedures and contract language in order to develop processes that will allow compliance with the applicable rules and statutes including filing of late affidavit forms, where required. A number of changes have been made to procedures for developing and processing documents for professional and artistic contracts and for other contracts for services, including "file only contracts," that will allow the Department to meet its service delivery mandate as well as consider "sound internal control." A new tracking mechanism has been implemented which has increased accountability over each contract and enhanced efficiencies in processing contract information in the Department's information systems.

Finding #04-8 – Interstate Adoption Assistance Agreements

The Department does not annually verify that adoption assistance agreements for children who are subject to agreements with another state are still in force or have been renewed.

The Interstate Compact on Adoption Act (45 ILCS 17/5-35) provides that a child with special needs who resides in Illinois and who is the subject of an adoption assistance agreement with another state shall be eligible for medical assistance from this state upon the filing of agreed documentation with the Illinois Department of Public Aid. The Act requires DCFS to at least annually establish that the agreement is still in force or has been renewed.

According to the Department, the Department of Human Services (DHS) tracks the children's status, has a database established to monitor the day-to-day activities and annually verifies that the adoption assistance agreements are still in force for each child; however, the Interstate Compact Department within DCFS does not.

The Department has failed to comply with the Interstate Compact on Adoption Act. (Finding Code No. 04-8, 03-6)

Recommendation

We recommend the Department establish a tracking system and annually verify that adoption assistance agreements are still in force or have been renewed or seek a legislative change to the Act to allow DHS to perform this function.

Department Response

The Department agrees that the DCFS Interstate Compact office is not currently tracking each of the approximately 600 agreements. However, we believe the state is in compliance with the spirit of the Interstate Compact on Adoption Act (45 ILCS 17/5-35). While DCFS is not currently tracking the agreements, and never has, the Department of Human Services (DHS) has been performing this function for the last several years.

Finding #04-9 – Economic Interest Statements

Economic Interest Statements were not all filed on a timely basis.

During our review of 53 employee economic interest statements, 16 (30%) were filed after the due date. The 16 late statements ranged from 4 to 20 days late.

The Illinois Governmental Ethics Act (5 ILCS 420/4A-105) states that each person whose position at that time subjects him to the filing requirements must file a statement by May 1st of each year. If the economic interest statements are not received by the officers responsible to receive the statements, they are required to notify each person by certified mail of his or her failure to file their economic interest statement. A $15 late fee is assessed to a person who files their statement by May 15th. If a person should file their economic interest statement after the 15th of May, they are required to pay a $100 penalty for each day from May 16th to the date of such filing. Failure to file by May 31st shall result in forfeiture of position of employment.

Department personnel indicated the delays in submitting the economic interest statements are due to an oversight.

The late filing of economic interest statements results in penalties and possibly loss of employment. (Finding Code No. 04-9)

Recommendation

We recommend the Department continue to monitor employees and remind the employees that the Economic Interest Statements be filed by their due date to avoid noncompliance with state statute.

Department Response

The Department intends to continue its practice to provide multiple notifications and reminders to employees about the requirement to file the statements and about the consequences of not doing so. The Department's procedures include regular communication with the Secretary of State's office in order to know which employees are tardy.

Finding #04-10 – State Employment Records Act

The Department did not comply with the requirements of the State Employment Records Act. During our review, we noted that the Department did not submit the required information to the Office of the Secretary of State or the Governor by January 1, 2004.

The State Employment Records Act (5 ILCS 410/15) requires that state agencies shall collect and maintain information and publish reports including but not limited to the following information arranged in the indicated categories:

(i) the total number of persons employed by the agency who are part of the State work force, as defined by this Act, and the number and statistical percentage of women, minorities, and physically disabled persons employed within the agency work force;
(ii) the total number of persons employed within the agency work force receiving levels of State remuneration within incremental levels of $10,000, and the number and statistical percentage of minorities, women, and physically disabled persons in the agency work force receiving levels of State remuneration within incremented levels of $10,000;
(iii) the number of open positions of employment or advancement in the agency workforce, reported on a fiscal year basis;
(iv) the number and percentage of open positions of employment or advancement in the agency work force filled by minorities, women, and physically disabled persons, reported on a fiscal year basis;
(v) the total number of persons employed within the agency work force as professionals, and the number and percentage of minorities, women, and physically disabled persons employed within the agency work force as professional employees; and
(vi) the total number of persons employed within the agency work force as contractual service employees, and the number and percentage of minorities, women and physically disabled persons employed within the agency workforce as contractual services employees.

The State Employment Records Act states that the Department shall file the information noted above by January 1st of each year with the Office of the Secretary of State and the Governor. According to the Illinois State Auditing Act (30 ILCS 5/3-2.2), since the Department has failed to comply with the State Employment Records Act, the Department is required to file the report within 30 days after the release of the audit by the Auditor General.

Department personnel indicated that the failure to file the report was due to the Department filing the information in a different report during fiscal year 2004.

In order to be in compliance with the state statute, the Department should file the information with the Office of the Secretary of State and the Governor using the forms developed by the Index Department of the Secretary of State by January 1 of each year. (Finding Code No. 04-10)

Finding #04-10 – State Employment Records - Continued

Recommendation

We recommend the Department establish procedures to ensure that the information is gathered and reported as required by the state statute. In addition, the Department should ensure the reports are filed by their required due dates.

Department Response

The report for FY03 was filed on February 14, 2005. The report due December 31, 2004, was filed on December 30, 2004, prior to its due date. The Department has a procedure to gather the necessary information and prepare the various reports that require this information.

Finding #04-11 – Personal Use of State Vehicles

Taxable fringe benefits relating to the personal use of state vehicles are not properly being added to employee's income.

According to Department personnel, eight employees have personal use of state vehicles for commuting to and from the office. Taxable fringe benefits are not being added to any of the eight employee's paychecks.

According to the Internal Revenue Service (IRS) Publication 15-B requirements, beginning January 1, 1985 the Department should treat the fair market value of employee personal use of a state vehicle as a taxable fringe benefit to be included in the employee's income. Commuting to and from the office in a state vehicle is considered personal use of the vehicle. The income derived by the employee for personal use of a State vehicle can be calculated at a rate of $3.00 per working day.

Department personnel indicated the deficiency was due to an oversight.

As a result, the employee's taxable income was not accurately reported to the employee or to the Internal Revenue Service. (Finding Code No. 04-11)

Recommendation

We recommend the Department implement a procedure to add the required amount to each employee's income who is provided a State vehicle which is used for commuting.

Department Response

The Department will review its procedures to track personal use of state vehicles and add any required amounts representing personal use of a state vehicle to each employee's income for tax reporting purposes.

Finding #04-12 – Approval of Overtime

Department employees worked overtime without proper prior approval.

All bargaining units and merit comp employees grade 1 through 6 are eligible, per union agreements and The Fair Labor Standards Act, for overtime. During fiscal year 2004, $3,083,262 was paid to 2,045 employees for overtime.

We selected a sample of 73 daily staff attendance reports where overtime was charged. We reviewed the related overtime approval sheets and for 2 employees (3%) the overtime request forms were missing, 1 approval sheet (1%) was not approved by the employee's supervisor, 14 approval sheets (19%) were approved after the overtime was worked, 4 employees' timesheets and overtime approval sheets (5%) were missing and 4 (5%) overtime approval sheets were not dated by the supervisor.

Department policy requires that overtime be approved before it is worked. Department policy states that "in order to earn overtime, employees must submit a completed Overtime or Compensatory Time Request Form to their supervisor." In addition, timesheets must be approved prior to the end of the pay period by the employee's supervisor.

Department policy also requires that overtime worked should be entered on the daily time sheets, which are reviewed and signed by the appropriate supervisor. These time sheets are then entered into the Department's timekeeping system from which attendance reports are generated. The attendance reports are used to determine the number of hours of overtime an employee will be paid for.

According to Department officials, unapproved overtime request forms exist due to occasional personnel failure to fully complete their duties.

Failure to obtain the proper approval required for overtime may cause an employee to be compensated for working overtime that was not actually performed or warranted. (Finding Code No. 04-12, 03-8, 02-9)

Recommendation

We recommend the Department enforce its policies regarding prior approval of overtime.

Department Response

The Department agrees that overtime should be paid only when necessary and that overtime costs impact the Department's budget and availability to deliver services. It also believes no employee should be compensated for overtime unless it was worked and authorized. The Department will review the detailed procedures followed to prepare and maintain the completed forms and revise or re-issue the procedures and instructions for staff and supervisors as necessary. As the finding identifies, each of the employees worked overtime. The finding also states that some forms were either not signed or were not dated, some were missing at the time of the audit work, some forms were approved after the overtime was worked, and that one was not approved by the employee's supervisor. This demonstrates that procedures are in place but that all the documentation and retention practices may not be in place as intended. While this finding, as written, appears to be directed toward the payroll unit, this day-to-day timekeeping/record-keeping is within each unit of the Department. Training for timekeepers includes descriptions of payroll and personnel rules and procedures issued by the Office of Employee Services/Labor Relations and the Budget Office.

Finding #04-13 – Telecommunication Charges Review

Department personnel did not properly review and approve all telephone charges on the telephone bills received and paid by the Department.

During our review of the telecommunication invoice vouchers, we noted that 10 of 30 invoices (33%) were signed by the division head; however, the invoices had no indication of being reviewed by the employee that incurred the charge. The total amount expended for telecommunications during fiscal year 2004 was $6,599,208.

The Department's internal procedures require all phone charges be reviewed and approved, via the employee's signature on each page of the telephone bill, in order to verify that the charges are in fact "Official State Business." Each page of the phone bill is stamped with a place for the employee's approval. In addition, the Illinois Administrative Code (44Ill. Adm. Code Subtitle D, Chapter 1, Part 5030) requires the Department to properly review all phone bills to guard against telephone abuse.

Department officials indicated their failure to properly review the telephone charges was due to a lack of enforcement of informal policies. The Department does not have a detailed written policy enforced in each division to ensure each employee reviews and approves his/her phone charges indicating the charges are in fact "Official State Business."

The failure to adequately review and approve the phone bills could lead to a misappropriation of State funds. (Finding Code No. 04-13)

Recommendation

We recommend the Department formalize their existing review process in which all phone bills are to be reviewed and approved by both staff personnel and division heads and then enforce these policies.

Department Response

We concur that staff did not review each bill due to logistic problems. This was a procedural issue that has been worked out and we will modify procedures to have assigned staff complete the review of telecommunications bills.

Finding #04-14 – Contract Monitoring

The Department has not performed effective monitoring of its residential and group home service providers.

The Department contracts with approximately 100 institutions to provide residential, group home, emergency shelter services, and other services. The total paid to these providers during fiscal year 2004 was in excess of $218 million. Many of the institutions have multiple contracts covering the same annual period with each contract covering a separate service.

Some of the problems noted relating to these contracts include:

- Service provided before the contract was signed and approved;
- No on-site monitoring for most providers;
- No specific measurable criteria within the contracts; and
- Insufficient fiscal monitoring of contract payments.

As currently described in the service provider contracts, residential providers are to be monitored predominately through annual licensure reviews, the submission of annual independent certified audits and interagency financial reports, reviews of behavioral management plans, monthly reviews of treatment plans, and following up on incidents reported at the institutions. Although these are the activities that are supposed to take place, certain of them are either not being performed or are not sufficient to provide for effective monitoring.

Department officials indicated that the causes for the lack of regular on-site monitoring were limited resources to maintain the program, track information, report on monitoring activities and a lack of specific identifiable measurable criteria within the service provider contracts. The Department also indicated that services were provided prior to the approval of contracts due to ongoing placement at these particular facilities. There were instances where the Department requested detailed accounting records from service providers and the Department has not received them.

The Department's inability to perform effective monitoring does not provide reasonable assurance that the program is achieving the desired results and that funds are being spent appropriately. (Finding Code No. 04-14, 03-10)

Recommendation

We recommend the Department evaluate the resources needed for monitoring residential and group home service providers, create guidelines for timeliness of and types of monitoring, establish measurable criteria and get it into the contracts and enforce consequences for not meeting the terms of the contract.

Finding #04-14 – Contract Monitoring - Continued

Department Response

In response to the FY03 audit finding, the Department agreed that there is a need for additional monitoring of residential and group home service providers. Creation of this function was included in the FY05 budget and, once approved, the implementation process was begun. The Residential Performance Monitoring (RPM) Unit is fully functional as of January 2005.

The unit is responsible for conducting consistent on-site monitoring of residential and group home facilities that provide treatment for our children. The RPM monitors will spend most of their time on-site at the assigned facilities, observing social interaction and monitoring treatment services. This unit will complete the establishment of measurable criteria for performance and process outcomes that will lead to quality services and life domain outcomes for our children. The results of the monitoring function will become an integral part of the contract negotiations with each provider.

Finding #04-15 – Monitoring of Subrecipient Service Providers

The Department does not perform sufficient monitoring of its contractors providing services to children. While the Department has taken some actions, other areas still need to be addressed.

During a previous audit, we selected three providers that had contracts with the Department and performed onsite audit procedures in the areas of expenditures, payroll/personnel, and inventory. The results of this testing indicated that the Department's monitoring activities were not reasonably designed to detect instances of non-compliance with laws and regulations by purchase of service providers.

In the last audit we recommended that the Department:

- Complete the decision-making process for a provider with disallowed costs and refer its findings, if appropriate, to the Attorney General;
- Devote sufficient resources to the field audit function that allows for sufficient monitoring of provider organizations; and,
- Develop more rigorous self-reporting requirements for providers.

The Department agreed with our conclusions and accepted the recommendation.

In November 2003, the Department did refer one of the providers from our original testing to the Attorney General for investigation or other court action for disallowed costs determined by the Department. The provider had over $373,000 in disallowed costs.

The Department, at the end of FY03, did consider the resources allocated to provider oversight functions in the Office of Field Audits. However, no action was taken until May of 2004 to increase the headcount of auditing staff in the Office of Field Audits. The Office of Field Audits conducts onsite fiscal audits of provider agencies. According to the Department, at the beginning of FY04 the Office of Field Audits contained three auditors and a supervisor. In May 2004, another four auditors were hired. These hires partially offset the two auditors that had retired during FY03. In addition to field audits, this staff is responsible for desk reviews of provider annual audit reports. Documentation submitted by the Department shows that, during FY04, the Office of Field Audits worked on only six field audits. Additionally, during the audit period, documentation shows that 271 desk reviews were completed. According to Department documentation, the Office of Field Audits was in the process of completing another 28 desk reviews.

The Department, while responding to this finding previously, stated it would "consider" implementing additional requirements on provider reporting. The Department has not implemented additional requirements on provider reporting, nor were any documents provided during this audit illustrating any ideas for additional self-reporting requirements for providers.

Finding #04-15 – Monitoring of Subrecipient Service Providers (Continued)

The Department reported that in FY04 it paid $571.3 million to all contracted service providers that were required to file annual audit reports. Given the size of the field audit staff and number of providers conducting business for the Department, additional self-reporting requirements could provide additional fiscal monitoring. (Finding Code 04-15, 03-11, 02-12, 00-17)

Recommendation

We recommend that the Department devote sufficient resources to the field audit function that allows for sufficient monitoring of provider organizations. Further, the Department should develop more rigorous self-reporting requirements for providers.

Department Response

The Department concurs. Staffing levels were increased during FY04 and the number of audits and desk reviews has increased as the staff was added. The number of desk reviews and field audits completed has increased and will continue to do so with the additional staff in place. Staffing levels will continue to be evaluated and, if considered necessary, positions will be added in the field audits unit.

The Department continues to review the reporting and record keeping requirements for providers that could be efficient and beneficial to both the Department and its providers.

State Compliance

Finding #04-16 – Inadequate Computer Security Controls

The Department had not established adequate controls for securing its computer resources. The Department had not finalized or implemented a comprehensive information technology policy. The Department had inadequate security controls in computer systems. Additionally, the Department had not implemented a physical security policy and physical security was not enforced or monitored at various locations. (Finding Code No. 03-9, 02-11)

The Department implemented an information technology policy and improved some computer security controls. In addition, enforcement of physical security regulations appeared to be improved at various locations.

Finding #04-17 – Telecommunication Devices

The Department had lacked control over documenting the need for telecommunication devices. (Finding Code No. 03-7)

The Department decreased the number of cell phones, pagers and calling cards issued to each employee and has documented the need for each device that each employee possesses.

Finding #04-18 – Inadequate Oversight Over Child Care Expenditures

The Department did not have adequate oversight for expenditures made for children's personal and physical maintenance. (Finding Code No. 03-4, 02-5, 00-6)

During our current year examination of the child care expenditures, only 2 instances of minor noncompliance were noted and therefore, this finding was deemed to be immaterial.

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 Expenditures of Federal Awards
  Notes to the Schedule of Expenditures of Federal Awards
  Schedule of Appropriations, Expenditures and Lapsed Balances
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  Schedule of Efficiency Initiative Payments
  Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
  Schedule of Changes in State Property (Unaudited)
  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
  Schedule of Indirect Cost Reimbursements

- Analysis of Operations:

  Agency Field Offices
  Agency Functions and Planning Program
  Average Number of Employees (Unaudited)
  Emergency Purchases
  Illinois First Projects (Unaudited)
  Service Efforts and Accomplishments (Unaudited)

The auditors' 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 auditors' opinion, except for that portion marked “unaudited,” on which they express no opinion, it is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
Department of Children and Family Services

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004
(Amounts Expressed in Thousands)

Federal Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Direct Programs		
Abandoned Infants	93.551	$ 459
Promoting Safe and Stable Homes	93.556	17,717
Temporary Assistance for Needy Families	93.558	68,800
Community Based Family Resource and Support Grants	93.590	872
Children's Justice Grants to States	93.643	644
Child Welfare Services State Grants	93.645	14,213
Adoption Opportunities	93.652	1,193
Foster Care, Title IV-E	93.658	302,292
Adoption Assistance	93.659	78,999
Child Abuse and Neglect State Grants	93.669	1,149
Chafee Foster Care Independent Living	93.674	8,526
HIV Care Formula Grants	93.917	21
Subtotal Direct Programs		494,885
Pass-through Programs		
from Department of Human Services - Americorps	94.006	9
from Department of Public Health - HIV Care Formula Grants	93.917	28
Subtotal Pass-through Programs		37
Total U.S. Department of Health and Human Services		494,922
U.S. Department of Education		
Pass-through Programs from Illinois State Board of Education		
Special Education Grants to States	84.027	910
Total Expenditures of Federal Awards		$ 495,832

See Notes to Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Note 1. Organization and Grant Administration

The State of Illinois, Department of Children and Family Services (Department) is a part of the executive branch of government of the State of Illinois operating 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 of the State's General Revenue Fund are appropriated for the use of the Department. The Department's General Fund represents a portion of the General Revenue Fund of the State of Illinois. 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 and the State Comptroller's Office) as defined by the General Assembly.

The responsibility of the Department is to provide public social services to children and their families in order to assure a permanent and secure living situation. The Department's services are delivered through eight programs: child protection, family maintenance, substitute care, adoption service, youth development, services to unmarried mothers, child and family development and support services. A significant portion of the services are provided by sub-recipient agencies.

The Department receives federal awards in the capacity of a primary recipient and as a subrecipient.

Primary Recipient

The Department has been designated as the primary recipient for a majority of federal programs for which it receives federal awards. The major responsibilities of the Department as a primary recipient are to ensure that all planning, public participation, reporting and auditing requirements associated with the federal awards programs are met and that all available federal awards are received and expended in accordance with the requirements of the related grant or contract.

Subrecipient

The Department is a subrecipient of federal awards for which the Illinois Department of Human Services, the Illinois Department of Public Health and the Illinois State Board of Education were the primary recipients in 2004.

Note 2. Significant Accounting Policies

a) Reporting Entity

The Schedule of Expenditures of Federal Awards presents all programs in which expenditures were made and/or claimed by the Department as a primary recipient or as a subrecipient. The Department is an integral part of the State of Illinois, the reporting entity.

b) Basis of Accounting

The Schedule of Expenditures of Federal Awards has been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to State and local governmental units. The accounts of the Department are maintained and reported using the modified accrual basis of accounting.

Under the modified accrual basis of accounting, grant awards are recognized when measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year; expenditures are recognized when obligations are incurred as a result of receipt of goods and services.

Note 3. Due from Other Governments – Federal

The Department has filed retroactive and current cost reimbursement claims under Title IV-E of the Social Security Act with the U.S. Department of Health and Human Services (DHHS).

For financial statement purposes, the Department does not recognize revenue related to retroactive claims until the claims have been awarded.

Expenditures for Foster Care, Title IV-E and Adoption Assistance include the following (amounts in thousands):

Foster Care, Title IV-E	$	302,292
Adoption Assistance		78,999
Total Expenditures	$	381,291

Note 4. Federal CFDA Numbers

Federal CFDA numbers are provided from the Catalog of Federal Domestic Assistance.

State of Illinois
Department of Children and Family Services

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004
(Amounts Expressed in Thousands)

Note 5. Federal Awards provided to Subrecipients

Of the federal expenditures presented in the Schedule, the Department provided federal awards to subrecipients as follows:

	Federal CFDA Number	Amount
U.S. Department of Health and Human Services:		
Direct Programs		
Abandoned Infants	93.551	$ 335
Promoting Safe and Stable Homes	93.556	14,090
Temporary Assistance for Needy Familities	93.558	13,966
Community Based Family Resource and Support Grants	93.590	865
Children's Justice Grants to States	93.643	528
Child Welfare Services State Grants	93.645	7,340
Adoption Opportunities	93.652	133
Foster Care, Title IV-E	93.658	75,678
Adoption Assistance	93.659	6,433
Child Abuse and Neglect State Grants	93.669	468
Chafee Foster Care Independent Living	93.674	5,921
HIV Care Formula Grants	93.917	21
Subtotal Direct Programs		125,778
Pass-through Programs		
from Department of Human Services - Americorps	94.006	9
from Department of Public Health - HIV Care Formula Grants	93.917	28
Subtotal Pass-through Programs		37
Total U.S. Department of Health and Human Services		125,815
U.S. Department of Education		
Pass-through Programs from Illinois State Board of Education		
Special Education Grants to States	84.027	910
Total Expenditures of Federal Awards Provided to Subrecipients		$ 126,725

State of Illinois
Department of Children and Family Services
Fiscal Year 2004

Schedule of Appropriations, Expenditures, and Lapsed Balances
For the Fourteen Months Ended August 31, 2004

Public Act 93-092	APPROPRIATIONS (NET AFTER TRANSFERS)	EXPENDITURES THROUGH 06/30/04	LAPSE PERIOD 07/01/04 - 08/31/04	TOTAL EXPENDITURES	BALANCES LAPSED
GENERAL REVENUE FUND - 0001					
REGULAR POSITIONS	$ 183,812,736	$ 169,415,253	$ 8,434,619	$ 177,849,872	$ 5,962,864
STATE PAID RETIREMENT CONTRIBUTIONS	7,067,696	4,640,774	277,787	4,918,561	2,149,135
STATE EMPLOYEE RETIREMENT CONTRIBUTIONS	24,517,555	16,023,812	97,809	16,121,621	8,395,934
SOC SEC/MEDICARE CONTRIBUTIONS	13,972,204	12,273,686	636,161	12,909,847	1,062,357
CONTRACTUAL SERVICES	34,869,938	28,872,608	2,910,254	31,782,862	3,087,076
TRAVEL	6,006,096	4,012,012	1,150,537	5,162,549	843,547
COMMODITIES	824,470	325,718	108,022	433,740	390,730
PRINTING	674,788	435,019	64,947	499,966	174,822
EQUIPMENT	99,583	7,614	57,823	65,437	34,146
ELECTRONIC DATA PROCESSING	8,244,138	6,748,155	1,495,557	8,243,712	426
TELECOMMUNICATION	6,787,158	4,078,354	2,520,854	6,599,208	187,950
OPERATION OF AUTO EQUIPMENT	55,100	47,747	7,280	55,027	73
LUMP SUMS AND OTHER PURPOSES	8,947,400	5,367,731	2,992,806	8,360,537	586,863
LUMP SUM, OPERATIONS	842,300	603,736	27,899	631,635	210,665
AWARDS AND GRANTS	460,745,500	430,537,683	29,725,476	460,263,159	482,341
TORT CLAIMS	242,000	199,211	17,279	216,490	25,510
REIMBURSEMENTS TO GOVERNMENTAL UNITS	346,300	104,437	241,864	346,301	(1)
AWARDS AND GRANTS TO STUDENTS	861,900	852,110	9,600	861,710	190
AWARDS AND GRANTS - LUMP SUM	59,891,200	53,222,403	6,314,735	59,537,138	354,062
REFUNDS, N.E.C.	5,900	4,743	624	5,367	533
Subtotal Fund 0001	818,813,962	737,772,806	57,091,933	794,864,739	23,949,223

Note: Appropriations, expenditures, and lapsed balances were obtained from Department records and have been reconciled to records of the State Comptroller.

State of Illinois
Department of Children and Family Services
Fiscal Year 2004

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004

Public Act 93-092	APPROPRIATIONS (NET AFTER TRANSFERS)	EXPENDITURES THROUGH 06/30/04	LAPSE PERIOD 07/01/04 - 08/31/04	TOTAL EXPENDITURES	BALANCES LAPSED
DCFS TRAINING FUND - 0094					
AWARDS AND GRANTS - LUMP SUM	$ 18,052,000	$ 8,871,147	$ 2,389,480	$ 11,260,627	$ 6,791,373
Subtotal Fund 0094	18,052,000	8,871,147	2,389,480	11,260,627	6,791,373
DCFS CHILDREN'S SERVICES FUND - 0220					
LUMP SUMS AND OTHER PURPOSES	29,882,400	20,706,837	7,380,243	28,087,080	1,795,320
LUMP SUM, OPERATIONS	1,600,000	1,283,668	169,924	1,453,592	146,408
AWARDS AND GRANTS	403,497,600	345,962,347	27,433,495	373,395,842	30,101,758
AWARDS AND GRANTS - LUMP SUM	66,795,800	38,906,135	6,477,505	45,383,640	21,412,160
Subtotal Fund 0220	501,775,800	406,858,987	41,461,167	448,320,154	53,455,646
DCFS FEDERAL PROJECTS FUND - 0566					
LUMP SUMS AND OTHER PURPOSES	17,867,600	11,031,581	1,987,422	13,019,003	4,848,597
Subtotal Fund 0566	17,867,600	11,031,581	1,987,422	13,019,003	4,848,597
DCFS SPECIAL PURPOSE TRUST FUND - 0582					
LUMP SUMS AND OTHER PURPOSES	157,800	71,950	55,460	127,410	30,390
Subtotal Fund 0582	157,800	71,950	55,460	127,410	30,390

Note: Appropriations, expenditures, and lapsed balances were obtained from Department records and have been reconciled to records of the Comptroller.

State of Illinois
Department of Children and Family Services
Fiscal Year 2004

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004

Public Act 93-092	APPROPRIATIONS (NET AFTER TRANSFERS)	EXPENDITURES THROUGH 06/30/04	LAPSE PERIOD 07/01/04 - 08/31/04	TOTAL EXPENDITURES	BALANCES LAPSED
DCFS REFUGEE ASSISTANCE FUND - 0684					
LUMP SUM, OPERATIONS	$ 3,000	$ -	$ -	$ -	$ 3,000
AWARDS AND GRANTS	12,000	-	-	-	12,000
Subtotal Fund 0684	15,000	-	-	-	15,000
CHILD ABUSE PREVENTION FUND - 0934					
AWARDS AND GRANTS - LUMP SUM	600,000	278,681		278,681	321,319
Subtotal Fund 0934	600,000	278,681	-	278,681	321,319
TOTAL - ALL APPROPRIATED FUNDS	$ 1,357,282,162	1,164,885,152	102,985,462	1,267,870,614	$ 89,411,548
NONAPPROPRIATED FUND - 0582					
LUMP SUMS		16,233	-	16,233	
TOTAL ALL FUNDS		$ 1,164,901,385	$ 102,985,462	$ 1,267,886,847	

Note: Appropriations, expenditures, and lapsed balances were obtained from Department records and have been reconciled to records of the State Comptroller.

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, 2004 and 2003

	2004 PUBLIC ACT 93-092	2003 PUBLIC ACT 92-0538
GENERAL REVENUE FUND - 0001		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 818,813,962	$ 838,048,600
REGULAR POSITIONS	$ 177,849,872	181,298,553
STATE RETIREMENT CONTRIBUTIONS	21,040,182	25,649,025
SOC SEC/MEDICARE CONTRIBUTIONS	12,909,847	13,533,416
CONTRACTUAL SERVICES	31,782,862	34,101,348
TRAVEL	5,162,549	5,235,255
COMMODITIES	433,740	622,862
PRINTING	499,966	573,149
EQUIPMENT	65,437	34,958
ELECTRONIC DATA PROCESSING	8,243,712	8,193,976
TELECOMMUNICATION	6,599,208	5,591,500
OPERATION OF AUTO EQUIPMENT	55,027	51,686
LUMP SUMS AND OTHER PURPOSES	8,992,172	8,885,695
AWARDS AND GRANTS AND TORT CLAIMS	521,224,798	539,888,210
REFUNDS, N.E.C.	5,367	4,319
TOTAL APPROPRIATED EXPENDITURES	794,864,739	823,663,952
LAPSED BALANCES	$ 23,949,223	$ 14,384,648
DCFS TRAINING FUND - 0094		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 18,052,000	$ 30,000,000
AWARDS AND GRANTS	11,260,627	10,762,031
TOTAL APPROPRIATED EXPENDITURES	11,260,627	10,762,031
LAPSED BALANCES	$ 6,791,373	$ 19,237,969
DCFS CHILDREN'S SERVICES FUND - 0220		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 501,775,800	$ 487,027,800
LUMP SUMS AND OTHER PURPOSES	29,540,672	31,465,842
AWARDS AND GRANTS	373,395,842	381,697,233
AWARDS AND GRANTS - LUMP SUM	45,383,640	38,868,020
TOTAL APPROPRIATED EXPENDITURES	448,320,154	452,031,095
LAPSED BALANCES	$ 53,455,646	$ 34,996,705

State of Illinois
Department of Children and Family Services

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
For the Fiscal Years Ended June 30, 2004 and 2003

	2004 PUBLIC ACT 93-092	2003 PUBLIC ACT 92-0538
DCFS FEDERAL PROJECTS FUND - 0566		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 17,867,600	$ 20,667,600
LUMP SUMS AND OTHER PURPOSES	13,019,003	13,691,492
TOTAL APPROPRIATED EXPENDITURES	13,019,003	13,691,492
LAPSED BALANCES	$ 4,848,597	$ 6,976,108
DCFS SPECIAL PURPOSE TRUST FUND - 0582		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 157,800	$ 157,800
LUMP SUMS AND OTHER PURPOSES	127,410	-
TOTAL APPROPRIATED EXPENDITURES	127,410	-
LAPSED BALANCES	$ 30,390	$ 157,800
DCFS REFUGEE ASSISTANCE FUND - 0684		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 15,000	$ 15,000
LUMP SUMS AND OTHER PURPOSES	-	-
AWARDS AND GRANTS	-	-
TOTAL APPROPRIATED EXPENDITURES	-	-
LAPSED BALANCES	$ 15,000	$ 15,000
CHILD ABUSE PREVENTION FUND - 0934		
APPROPRIATIONS (NET AFTER TRANSFERS)	$ 600,000	$ 600,000
AWARDS AND GRANTS	278,681	423,895
TOTAL APPROPRIATED EXPENDITURES	278,681	423,895
LAPSED BALANCES	$ 321,319	$ 176,105

State of Illinois
Department of Children and Family Services

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
For the Fiscal Years Ended June 30, 2004 and 2003

		2004 PUBLIC ACT 93-092		2003 PUBLIC ACT 92-0538
GRAND TOTAL - ALL APPROPRIATED FUNDS				
APPROPRIATIONS (NET AFTER TRANSFERS)	$	1,357,282,162	$	1,376,516,800
TOTAL APPROPRIATED EXPENDITURES		1,267,870,614		1,300,572,465
LAPSED BALANCES	$	89,411,548	$	75,944,335
NONAPPROPRIATED FUND				
FUND 0582	$	16,233	$	61,089
TOTAL NONAPPROPRIATED FUNDS	$	16,233	$	61,089
TOTAL EXPENDITURES - ALL FUNDS	$	1,267,886,847	$	1,300,633,554
GENERAL REVENUE FUND (0001) - STATE COMPTROLLER OFFICER SALARIES				
EXPENDITURES - DIRECTOR	$	127,600	$	128,629

State of Illinois
Department of Children and Family Service

Schedule of Efficiency Initiative Payments
For the Fiscal Year Ended June 30, 2004

		Amount
Procurement Efficiency Initiative		
General Revenue Fund - 0001		
Personal services	$	2,569,400
State employees retirement		784,600
Information Technology Initiatives		
General Revenue Fund - 0001		
Personal services		3,164,700
State employees retirement		5,037
Vehicle Fleet Management		
General Revenue Fund - 0001		
State employees retirement		13,454
Grand Total	$	6,537,191

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department and reconciled to information from the Office of the Comptroller.

State of Illinois
Department of Children and Family Services

Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
For the Fiscal Year Ended June 30, 2004
(Amounts Expressed in Thousands)

Fund	Private Purpose Trust Funds	Cash Balance July 1, 2003	Receipts	Disbursements	Cash Balance June 30, 2004
1117	Katherine Schaffner Bequest				
	Cash and Cash Equivalents	$ 152	$ -	$ -	$ 152
	Investments	147	20	3	164
		299	20	3	316
1119	Bail Bond	2	-	-	2
1121	Children and Family Benefit	82	14	10	86
1123	General Purpose	195	73	208	60
1124	Eloise Young Memorial Trust	-	-	-	-
1207	Herrick House Children's Center Bequest	13	-	-	13
1226	Family Reunification	3	-	-	3
1237	Rockford Region Special Needs	1	-	1	-
	Total	$ 595	$ 107	$ 222	$ 480

Fund	Agency Fund	Cash Balance July 1, 2003	Receipts	Disbursements	Cash Balance June 30, 2004
1122	Children's Trust	$ 4,191	$ 17,355	$ 17,350	$ 4,196

State of Illinois
Department of Children and Family Services

Schedule of Changes in State Property (Unaudited)
For the Fiscal Year Ended June 30, 2004
(Amounts Expressed in Thousands)

Balance at beginning of year	$	35,967
Additions		
Fiscal Year 2004 through June 30		1,585
Fiscal Year 2004 lapse period estimate		531
Total Additions		2,116
Deletions		
Fiscal Year 2004 through June 30		1,862
Fiscal Year 2004 lapse period estimate		25
Total Deletions		1,887
Balance at the end of the year	$	36,196

Note: This schedule was prepared from Department records. The property balance at June 30, 2004 includes all property even those items that do not meet the GASB Statement No. 34 capitalization threshhold. The information contained within this schedule is unaudited because the Department does not maintain adequate records for individual items valued at less than $5,000.

State of Illinois
Department of Children and Family Services

Comparative Schedule of Cash Receipts
For the Fiscal Years Ended June 30, 2004 and 2003
(Amounts Expressed in Thousands)

	2004	2003
General Revenue Fund - 0001		
Child welfare	$ 13,000	$ 12,875
Miscellaneous	116	686
Parental contributions for care		
and maintenance of children	334	461
	13,450	14,022
DCFS Training Fund - 0094		
Federal Government	12,131	11,211
DCFS Children's Services Fund - 0220		
Federal Government	368,803	346,035
Reimbursement from Children's Trust	1,758	2,927
	370,561	348,962
DCFS Federal Projects Fund - 0566		
Federal Government - DHHS	7,707	12,528
Private organizations or individuals	21	17
Federal monies via		
Illinois State Board of Education	1,000	1,000
Americorp and Vista Organizations	26	161
Illinois Department of Public Health	50	100
	8,804	13,806
DCFS Special Purpose Fund - 0582		
Private organizations or individuals	100	175
Total Department Receipts	$ 405,046	$ 388,176

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 Comptroller
For the Fiscal Years Ended June 30, 2004 and 2003
(Amounts Expressed in Thousands)

2004

	0001 General Revenue Fund	0094 DCFS Training Fund	0220 DCFS Children's Services Fund	0566 DCFS Federal Projects Fund	0582 DCFS Special Purpose Fund	Total All Funds
Cash Receipts and Transfers per DCFS	$ 13,450	$ 12,131	$ 370,561	$ 8,804	$ 100	$ 405,046
Receipts in transit at June 30, 2003	-	-	-	-	-	-
Receipts in transit at June 30, 2004	-	-	-	-	-	-
Cash Receipts and Transfers per Comptroller	$ 13,450	$ 12,131	$ 370,561	$ 8,804	$ 100	$ 405,046

2003

	0001 General Revenue Fund	0094 DCFS Training Fund	0220 DCFS Children's Services Fund	0566 DCFS Federal Projects Fund	0582 DCFS Special Purpose Fund	Total All Funds
Cash Receipts and Transfers per DCFS	$ 14,022	$ 11,211	$ 348,962	$ 13,806	$ 175	$ 388,176
Receipts in transit at June 30, 2002	2	-	-	-	-	2
Receipts in transit at June 30, 2003	-	-	-	-	-	-
Cash Receipts and Transfers per Comptroller	$ 14,024	$ 11,211	$ 348,962	$ 13,806	$ 175	$ 388,178

Analysis of Significant Variations in Expenditures
For the Fiscal Year Ended June 30, 2004

General Revenue Fund (0001)

		FY 2004	FY 2003
State Retirement Contributions	$	21,040,182	25,649,025

Public Act 93-0665 ceased the State's pickup of the employees' retirement contribution as of March 1, 2003 for all General Revenue Fund employees. If this had not occurred, overall spending would have increased due to the change in the retirement rate.

		FY 2004	FY 2003
Contractual Services	$	31,782,862	34,101,348

The Department's total contractual services appropriations were reduced by $2.5 million and total spending dropped as a result of the reduction.

		FY 2004	FY 2003
Telecommunications	$	6,599,208	5,591,500

The Department had a credit balance with Central Management Systems telecommunications at the end of fiscal year 2002 which caused a reduction in the fiscal year 2003 expenditures. During fiscal year 2004, the expenditures did not include a credit from the previous year which caused the total expenditures for that year to appear higher.

Children's Services Fund (0220)

		FY 2004	FY 2003
Awards and Grants - Lump Sum	$	45,383,640	38,868,020

The Department received two new appropriations in fiscal year 2004 for Program Development for Most Troubled Kids and Private Agency Staff & Care Provider Training which together totaled $7.8 million in spending during fiscal year 2004.

Explanation of Significant Variations in Expenditures (Continued)
For the Year Ended June 30, 2004

Children's Services Fund (0220) - Continued

	FY 2004	FY 2003
Lump Sums and Other Purposes	$ 29,540,672	31,465,842

The Department's appropriation for the SACWIS Information System was reduced by $4.7 million and total spending dropped by $2.35 million as a result. In addition, the spending in the Department's Training appropriation from this fund increased during the current fiscal year as compared to the previous year due to a shift in spending to other appropriations for operational expenses.

Federal Projects Fund (0566)

	FY 2004	FY 2003
Lump Sums and Other Purposes	$ 13,019,003	13,691,492

The decline in spending from this appropriation is due to the overall decline in federal grant awards.

State of Illinois
Department of Children and Family Services

Explanation of Significant Variations in Receipts
For the Year Ended June 30, 2004

General Revenue Fund (0001)

		FY 2004	FY 2003
Miscellaneous	$	116,000	685,658

A one-time payment for interest on monies deposited in prior years with the Medical District Commission to be used for a training facility was received during fiscal year 2003. The same transaction did not occur during fiscal year 2004.

DCFS Training Fund (0094)

		FY 2004	FY 2003
Federal Government	$	12,130,633	11,211,119

There was an increase in claimable expenditures resulting in increased revenues from the Federal Government which would cause draw downs for Federal money to be increased during the current fiscal year.

State of Illinois
Department of Children and Family Services

Explanation of Significant Variations in Receipts (Continued)
For the Year Ended June 30, 2004

Children's Services Fund (0220)

		FY 2004	FY 2003
Federal Government	$	368,803,000	346,035,205

The timing of the federal draw downs impact which fiscal year they are reported in. During fiscal year 2003, draw downs for money were processed after June 30, 2003. During fiscal year 2004, draws were processed prior to June 30, 2004 making the current fiscal year receipts appear higher than in the prior fiscal year.

		FY 2004	FY 2003
Reimbursement from Children's Trust	$	1,757,835	2,927,128

This is the receipt account code used to record monies reimbursed from the Children's Trust account to the 220 fund. As receipts into the Children's Trust Fund declined in the current fiscal year, there were less funds available for reimbursement into the 220 fund during the current fiscal year.

Federal Projects Fund (0566)

		FY 2004	FY 2003
Federal Government DHHS	$	7,706,639	12,528,002

The timing of federal draw downs impact which fiscal year the receipts are reported in. Money relating to fiscal year 2003 expenditures had not been drawn down after June 30, 2003, resulting in lower receipts in the current fiscal year compared to the prior fiscal year.

Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2004

2004 Lapse Period

General Revenue Fund (0001)

Contractual Services

Invoices for June services do not arrive until some time in July or even August, therefore the Department does not know what the liability is and payment is not made until the lapse period. Such items include but are not limited to contractual payroll, utilities and professional services.

Travel

Mileage and travel reimbursements for employees cannot be submitted until after they occur and are very often submitted weeks after the end of the month for Department vouchering.

Commodities

The Department was in a holding pattern on spending most of the year per the Governor's Office of Management and Budget, and waited until late in the year to order necessary commodities.

Equipment

The equipment purchased by the Department has been minimal. Any purchases are paid after receipt of the equipment. The equipment purchased in the current fiscal year occurred late in the year.

Electronic Data Processing

These are costs incurred from the CMS BCCS charges and the Department did not receive a bill until July and August 2004. These costs are split between two appropriation lines, which skew the percentage.

Telecommunication

Virtually all of the telecommunication expenses come through CMS and there is a delay in billing each month. Due to the credits which were used earlier in the year and the auditing process involved in verifying charges, most spending occurred late in the fiscal year.

Lump Sums and Other Purposes

This appropriation line item consisted mainly of wages and benefits; the pay period ended June 30, 2004, therefore the funds were not expended until mid-July. There are also a number of other contracts for the region for which services are paid after they are rendered and billed late.

Tort Claims

It can sometimes take quite a while for someone to submit a tort claim. By the time the claim is fully investigated and a settlement is reached, a great deal of time can elapse.

Reimbursement to Governmental Units

Counties provide services to the Department wards such as day care and are subsequently reimbursed after providing the service. The Department receives bills from Counties all year and at the end of the fiscal year, apportions the payments to each County in the same percentage as the county's bills are of the total. This cannot be done until the end of each fiscal year.

Awards and Grants – Lump Sum

When a client starts in new placement, there is a permanent lag of up to four weeks before the first payment is made. The normal payment of bills in the month after the service was rendered will produce an 8.3% payment during lapse (in July for June). Medicaid bills (foster care, residential, counseling) require extensive documentation and often must be paid up to two months after the service date.

DCFS Training Fund (0094)

Awards and Grants – Lump Sum

Services that are paid for after the fact cannot be paid until at the earliest the month following service delivery. Other factors involved are the timing of the service, auditing of bills and timely billing which increase the percent paid in the lapse period.

DCFS Children's Services Fund (0220)

Awards and Grants – Lump Sum

Due to the split appropriations, a disproportionate percentage of Children's Services Fund is spent at the end of the fiscal year. Only after the Department claims the spending and receives the federal reimbursement in its balance in the Children's Services Fund can the money be spent. This causes a natural pattern every fiscal year of disproportionate Children's Services Fund spending towards the end of the fiscal year including the lapse period.

DCFS Federal Projects Fund (0566)

Awards and Grants – Lump Sum

The Department pays most bills after the service has been rendered. This creates a permanent lag of four weeks before the first payment is made. In addition this fund pays university and college costs which are not usually received until the spring semester is over which will cause many payments to be made in lapse.

State of Illinois
Department of Children and Family Services

Analysis of Accounts Receivable
For the Fiscal Year Ended June 30, 2004

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 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 in thousands)

General Revenue Fund (0001)

Parental accounts receivable	$	3,074
Less: allowance for uncollectibles		(3,041)
		33
Board accounts receivable		2,696
Less: allowance for uncollectibles		(2,105)
		591
Accounts Receivable, Net	$	624

Aging of Receivables	0 - 60 Days	Over 60 Days	Total
Parental accounts receivable	$ 156	$ 2,918	$ 3,074
Board accounts receivable	$ 390	$ 2,306	$ 2,696

State of Illinois
Department of Children and Family Services

Schedule of Indirect Cost Reimbursements
For the Fiscal Years Ended June 30, 2004 and 2003

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	
	Final (a)	Provisional (b)	2003	2004
Costs applicable to:				
Division of support services eligibility unit and training	25.4%	25.4%	$ 310,718	$ 222,444
Training	19.6%	19.6%	68,635	42,634
Child protection and child welfare services	25.2%	25.2%	8,390,368	7,740,935
Administrative case review	19.7%	19.7%	471,411	374,247
AFCARS/SACWIS	42.7%	42.7%	737,489	404,319
Health services unit, juvenile court unit and legal permanency unit	22.3%	22.3%	311,828	293,132
Clinical Services	19.8%	19.8%	94,674	94,472
Office of the Guardian	24.6%	24.6%	187,974	188,361
	Total		$ 10,573,097	$ 9,360,544

(a) Fiscal Year 2002 Final is last approved rate agreement.

(b) Provisional rate used until final rate is approved.

Agency Field Offices

The Department has six regions: Central, Southern, Northern, Cook Central, Cook North and Cook South. There are 35 field offices in the Central region, 21 in the Southern region, 15 in the Northern region, 4 in the Cook Central region, 5 in the Cook North region and 3 in the Cook South region. During our examination for the year ended June 30, 2004, we visited one field office each in Springfield, IL, Chicago, IL and Champaign, IL.

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 protecting children who are at risk of harm, administering comprehensive community-based systems of youth services, 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 long-term care in a residential facility. 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 Support Services.

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.

Publicly funded day care and related services in Illinois are funded by four state agencies: the Department of Children and Family Services, the Department of Public Aid, the Department of Human Services and the Illinois State Board of Education. The four agencies work cooperatively to finance day care for children and their families for several reasons: 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.

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.

Family Reunification and Substitute Care

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.

Adoption and Guardianship

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 and medical expenses.

Support Services

Central administration, audits, legislative, communications, legal services, management and budget, and fiscal functions fall in this area.

Agency Planning Program

The Department prepares its portion of the Illinois Human Services Plan on an annual basis. The planning cycle is coordinated with the budgeting cycle so the Department's stated goals and priorities provide direction in the allocation of resources. The planning and budgeting process consists of four major phases as follows:

Evaluation of Needs Analysis

Each of the Department's operating units identifies emerging issues and analyzes trends; needs are assessed and analyzed to define service deficiencies.

Planning

After review, analysis and discussion of the findings of the need analysis, together with consideration of negotiated consent decrees, legislative, economic and demographic developments, the Director determines the major priorities and goals for the Department.

Agency Functions and Planning Program (Continued)
For the Fiscal Year Ended June 30, 2004

Agency Planning Program (Continued)

Budget Preparation

Guided by the Director's statement of priorities, projections of service needs and performance objectives, the fiscal planning committee coordinates the different operating units in preparing the Department's budget request for the coming year.

Operational Planning

Operational planning is the process by which each unit of the Department determines the objectives it will achieve to fulfill the Director's priorities during the fiscal year within the budgetary constraints.

Auditors' Assessment

The Department's planning process has been found to be adequate to satisfy statutory responsibilities.

Director:

Bryan Samuels
Department of Children and Family Services
406 East Monroe
Springfield, IL 62701

State of Illinois
Department of Children and Family Services

Average Number of Employees (Unaudited)
For the Fiscal Years Ended June 30, 2004 and 2003

The following analyses were developed through analysis of headcount schedules.

	2004	2003
Central administration	115	129
Administrative case review	82	102
Quality assurance	29	25
Operations and community services	38	45
Downstate Region (Child Welfare and Child Protection)	1,226	1,282
Cook Region (Child Welfare and Child Protection)	1,105	1,163
Child protection administration	135	121
Support services	132	146
Clinical services	36	40
Office of the guardian	50	53
Inspector general	21	21
Purchase of service monitoring	306	291
Parental payments	1	4
Title IV-E reimbursements	30	33
SSI reimbursements	-	1
SACWIS	1	1
Attorney general CW litigation	6	7
Children's justice act	5	1
Federal child abuse act	-	4
Targeted case management	32	77
Health care network	1	1
MCO technical assistance	1	1
Independent living initiative	7	7
Foster care/adoption training	5	9
Foster care initiative	42	55
Total	3,406	3,619

State of Illinois
Department of Children and Family Services

Emergency Purchases
For the Fiscal Year Ended June 30, 2004

Fiscal Year	Vendor	Description	Actual Cost	
04	Louise Nash	Monitoring well being of wards	$ 10,503	
04	James Osta	Monitoring well being of wards	10,892	
04	Mary Anne Brown	Monitoring well being of wards	16,000	
04	Art Dykstra	Monitoring well being of wards	11,228	
04	Reed Elsevier (Lexis/Nexis)	On-line legal research	17,941	
04	Colorado Express Services Inc	Temporary clerical services	499,280	
04	American Management Systems	System development services	44,602,434	
04	Maximus Inc	System development services	2,191,054	(estimate)
04	Allendale Association	Residential services for youth	93,562	

Illinois First Projects
For the Fiscal Year Ended June 30, 2004

For the year ended June 30, 2004, the Illinois Department of Children and Family Services did not have any Illinois First projects.