

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN
AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2012
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012

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

State of Illinois
Department of Children and Family Services

FINANCIAL AUDIT
For the Year Ended June 30, 2012
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012

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STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Agency Officials
For the Two Years Ended June 30, 2012

| | |
|--|--|
| Director | Mr. Erwin McEwen (November 20, 2006 - September 30, 2011) Ms. D. Jean Ortega-Piron (Acting Director) (October 1, 2011 – November 30, 2011) Ms. Dixie Peterson (Acting Director) (December 1, 2011 – December 14, 2011) Mr. Richard Calica (December 15, 2011 – current) |
| Executive Deputy Director | Ms. Denice Murray (October 17, 2007 – June, 2012) |
| Chief of Staff | Vacant (June 5, 2008 – March 4, 2012) Ms. Denise Gonzales (March 5, 2012 – current) |
| Deputy Director of Budget and Finance and Chief Financial Officer | Mr. Robert Stanek (April 14, 2010 – September, 2012) Mr. Chuck Morris (February 18, 2013 – current) |
| Acting Chief Financial Officer | Mr. Royce Kirkpatrick (October, 2012 – February 18, 2013) |
| Deputy Director of Finance, Technology, & Planning | Mr. William Wolfe (July 16, 2012 – current) |
| Chief Legal Counsel | Ms. Dixie Peterson |
| Acting Internal Auditor | Ms. Denise Caldwell |

Department administrative offices are located at:

406 East Monroe
Springfield, IL 62701

Pat Quinn
Governor



Richard H. Calica
Director

Illinois Department of Children & Family Services

MANAGEMENT ASSERTION LETTER

June 5, 2013

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Department of Children and Family Services (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, we assert that during the years ended June 30, 2011 and June 30, 2012, the Department has materially complied with the assertions below.

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

406 E. Monroe Street • Springfield, Illinois 62701
217-785-2509 • 217-524-3715 / TTY



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

Yours very truly,

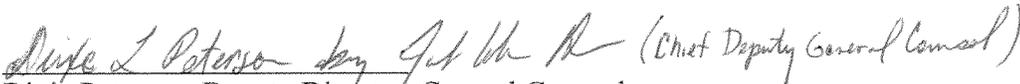
Illinois Department of Children and Family Services



Richard H. Calica, Director



Chuck Morris, Chief Fiscal Officer



Dixie Peterson, Deputy Director, General Counsel

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

**Compliance Report
Summary
For the Two Years Ended June 30, 2012**

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

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

| <u>Number of</u> | <u>Current</u> | <u>Prior</u> |
|---|----------------|--------------|
| Findings | 16 | 13 |
| Repeated findings | 9 | 10 |
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SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
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| 12-1 | 12 | Lack of financial reporting review procedures | Material Weakness |
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| 12-2 | 14 | Incomplete child welfare files | Significant Deficiency and Noncompliance |
| 12-3 | 18 | Child abuse and neglect determinations | Significant Deficiency and Noncompliance |
| 12-4 | 20 | Initiation of child abuse and neglect investigations | Significant Deficiency and Noncompliance |
| 12-5 | 22 | Noncompliance with Child Death Review Team Act | Significant Deficiency and Noncompliance |
| 12-6 | 25 | Inconsistent identification procedures | Significant Deficiency and Noncompliance |

FINDINGS (STATE COMPLIANCE) – Continued

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
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| 12-7 | 26 | Failure to monitor contracts | Significant Deficiency and Noncompliance |
| 12-8 | 28 | Inadequate property control procedures | Significant Deficiency and Noncompliance |
| 12-9 | 29 | Untimely approval of contracts | Significant Deficiency and Noncompliance |
| 12-10 | 32 | Federal reimbursements not requested timely | Significant Deficiency and Noncompliance |
| 12-11 | 34 | Employee performance evaluations not performed | Significant Deficiency and Noncompliance |
| 12-12 | 35 | Failure to comply with the Identity Protection Act | Significant Deficiency and Noncompliance |
| 12-13 | 36 | Noncompliance with the Abused and Neglected Child Reporting Act | Noncompliance |
| 12-14 | 37 | Noncompliance with the Afterschool Youth Development Project Act | Noncompliance |
| 12-15 | 38 | Accident reports not submitted timely | Noncompliance |
| 12-16 | 39 | Noncompliance with the State Assurance Act for FY2008 | Noncompliance |

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirement for State Compliance.

| | | | |
|------|----|---|--|
| 12-1 | 12 | Lack of financial reporting review procedures | Material Weakness and Material Noncompliance |
|------|----|---|--|

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> |
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| A | 41 | Noncompliance with the Interstate Compact on Adoption Act |
| B | 41 | Telecommunications charges review |
| C | 41 | Child abuse and neglect prevention plan not submitted timely |
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 21, 2013. Responses to the recommendations were provided by Ray Piiparinen, Audit Coordinator in correspondence dated June 5, 2013.

Attending the exit conference were:

Department of Children and Family Services

Chuck Morris, Chief Financial Officer (via phone)
Ray Piiparinen, Audit Coordinator
Ron Handlin, Manager
Rachael Kerrick, Deputy Bureau Chief of Operations-Permanency (via phone)
Brad Wilson, Information Security Officer (via phone)

Sikich LLP

Tom Leach, Partner
Stephen Payton, Manager
Meredith Angel, Supervisor

Office of the Auditor General

Courtney Dzierwa, Manager



132 South Water Street, Suite 300 • Decatur, IL 62523

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND
ON INTERNAL CONTROL OVER COMPLIANCE

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' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2012. The management of the State of Illinois, Department of Children and Family Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Children and Family Services' compliance based on our examination.

- A. The State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services on behalf of the State or held in trust by the State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services' compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Children and Family Services' compliance with specified requirements.

As described in finding 12-1 in the accompanying schedule of findings, the State of Illinois, Department of Children and Family Services did not comply with requirements regarding the maintenance of a system of internal fiscal and administrative controls to account for State resources and to permit the preparation of reliable financial reporting as required by the Fiscal Control and Internal Auditing Act. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Children and Family Services to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Department of Children and Family Services complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 12-2 through 12-16.

Internal Control

Management of the State of Illinois, Department of Children and Family Services is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Children and Family Services' internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as item 12-1 to be a material weakness.

A significant deficiency in an entity's internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 12-2 through 12-12 to be significant deficiencies.

Additionally, the results of our procedures disclosed other matters involving internal control over compliance, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 12-13 through 12-16.

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

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

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



Decatur, Illinois
June 5, 2013



132 South Water Street, Suite 300 • Decatur, IL 62523

INDEPENDENT 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 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, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Children and Family Services, as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements and have issued our report thereon dated March 26, 2013. 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

Management of the State of Illinois, Department of Children and Family Services is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois, Department of Children and Family Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in

internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 12-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Children and Family Services' 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*.

The State of Illinois, Department of Children and Family Services' response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the State of Illinois, Department of Children and Family Services' response and, accordingly, we express no opinion on the response.

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.



Decatur, Illinois
March 26, 2013

State of Illinois
Department of Children and Family Services

Schedule of Findings – Government Auditing Standards
Year Ended June 30, 2012

12-1. **FINDING** (Lack of financial reporting review procedures)

The Department of Children and Family Services (Department) did not have adequate review procedures in place to ensure the Department's annual financial statements were accurately prepared.

In our audit of the Department's financial statements we noted instances in which beginning of year balances were not correct, which required adjustments, totaling \$1.083 million, to properly reflect the fiscal year 2012 income and expense. We also noted incorrect calculations of grant activity that were reported to the Office of the State Comptroller (Comptroller) which resulted in the understatement of amounts reported as due from the federal government totaling \$6.016 million. After those errors were noted to the Department, the applicable reporting form SCO563 was corrected and transmitted to the Comptroller. In addition, although correctly reported by the Department to the Comptroller, fund balance classifications in the draft financial statements provided to us for our audit were not correct. The classifications were corrected after we made the Department aware of the errors. Various interfund balances were not properly categorized on the financial statements until we made the Department aware of the corrections needed as well.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with generally accepted accounting principles.

Department personnel stated that the errors identified above were an oversight. We noted that the Department had implemented a review procedure this year. However, it was not adequate to detect the errors identified above. Furthermore, we noted that there appeared to be a lack of resources devoted to this function, as the personnel responsible for the preparation of the financial statements were unfamiliar with financial reporting requirements under generally accepted accounting principles and stated that there was inadequate guidance in preparing the financial statements. The financial statements had been prepared by the Comptroller in previous years.

Failure to implement appropriate internal control procedures over financial reporting could lead to future misstatements of the Department's financial statements. (Finding Code No. 12-1, 10-1, 08-1)

RECOMMENDATION

We recommend the Department implement internal control procedures to assess the risk of material misstatements of the Department's financial statements and to identify such misstatements during the financial statement preparation process. In addition, we recommend that personnel responsible for preparing the Department's financial statements receive adequate training and guidance to ensure accurate and complete financial statements are prepared.

DEPARTMENT RESPONSE

The Department agrees with the recommendation and plans to implement control procedures designed to improve the quality of information in the annual forms. DCFS is in process of identifying resources and obtaining bids from reputable accounting firms for preparation of the June 30, 2013 financial statements and the Department's annual GAAP reporting package for use by the State Comptroller's Office. The use of this consultant would provide additional training to current staff on these procedures. Additionally, the Department is initiating a process to hire a person full time to fill an empty fiscal administration position. That person would have knowledge of financial reporting and generally accepted financial reporting requirements and be responsible for the preparation of the Department's financial statements.

SCHEDULE OF FINDINGS – STATE COMPLIANCE

12-2. **FINDING** (Incomplete child welfare files)

The Department’s Child Welfare and Foster Care and Intact Family Case files lacked required documentation and not all case procedures were performed timely.

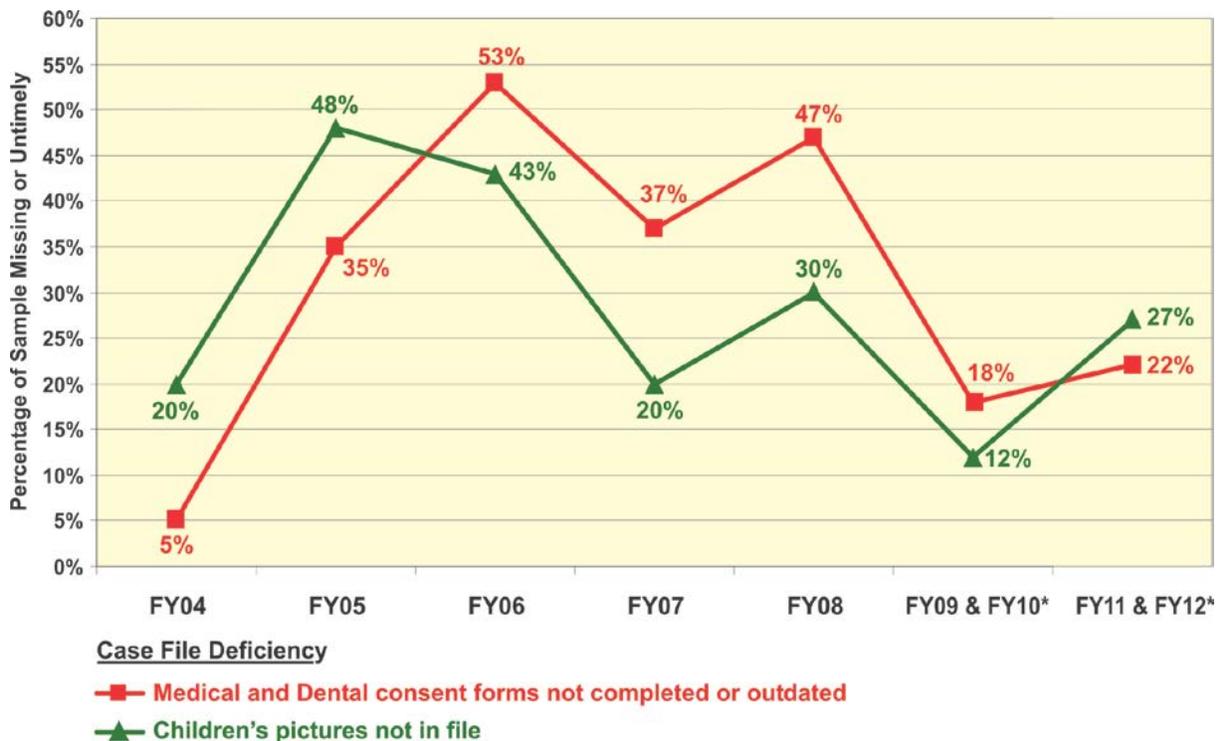
During our review of case files, we noted the following required documentation was not maintained in the file or was not prepared timely. Our sample consisted of 30 child welfare case files managed by Department staff and 30 child welfare case files managed by purchase of service (POS) contractors. One of the case files sampled was a closed case for which the paper file was not available. In our review of the remaining 59 case files in our sample, we noted the following deficiencies:

| <u>Case File Deficiency</u> | <u>Case File Requirement</u> | <u>Authority</u> |
|--|---|----------------------------------|
| One (approximately 2%) of 59 Family Assessment Factor Worksheets (CFS1440)/Statewide Automated Child Welfare Information System (SACWIS) Risk Assessment was not maintained in the case file or the Department’s automated case information. | When child welfare staff are engaged in preliminary activities the CFS 1440/SACWIS Risk Assessment is to be completed to indicate what actions have been taken in the investigation. | DCFS Administrative Procedure #5 |
| Thirteen (22%) of 59 Medical & Dental Consent Forms (CFS 415 or 431) were not completed and/or were outdated. | Form CFS 415 or 431 must be maintained in the case file to provide for consent of ordinary and routine medical and dental care. This form is required to be updated annually. | DCFS Administrative Procedure #5 |
| Twenty-six (44%) of 59 Initial Placement Checklists (CFS 418- J or 421) were not completed. | Form CFS 418-J or 421 must be maintained for all children placed in substitute care. The form documents any special needs of the child. | DCFS Policy Guide 2002.07 |
| Twenty of 32 (62%) required Permanency Planning Checklists (CFS 483) were not completed and maintained in the case files. | Form CFS 483 must be completed when determining the permanency goal for each child placed in substitute care for over one year. | DCFS Policy Guide 97.3 |
| Four (7%) of 59 Placement & Payment Authorization Forms (CFS 906) were not maintained in the case files. | Form CFS 906 must be completed and maintained in the case file and should include information concerning the child’s placement status and other information critical to payment and approval documentation. | DCFS Administrative Procedure #5 |

| <u>Case File Deficiency</u> | <u>Case File Requirement</u> | <u>Authority</u> |
|---|---|--|
| Sixteen (27%) of 59 children's pictures were not maintained in the case files. | Each case file must include a current photograph of the child for who care is being provided. | DCFS Procedure 301.150; DCFS Administrative Procedure #5 |
| Thirty-six (61%) of 59 children's fingerprints were not maintained in the case files. | Each case file must include the child's fingerprint. | DCFS Procedure 301.150; DCFS Administrative Procedure #5 |

Additionally, we selected a sample of fifty child administrative case reviews (ACR) to test compliance with the 89 IL Admin Code 316.60 21 day notification requirement. These fifty ACRs generated 306 notifications to all parties involved. 235 notifications (77%) were made 21 days in advance of the ACR date as required. Seven (2%) were not sent for various reasons and 64 (21%) were sent with less than 21 days notice. 89 IL Admin. Code 316.60 and DCFS Administrative Procedure #5 require the letter be mailed to all parties involved 21 days in advance of the ACR meeting.

The following graph depicts two of the case file deficiencies over the past seven years, and the percentage of items missing or untimely from the sample tested.



*Note: Testing was performed for the two-year period ending in the even-numbered year, and our samples for each period included file activity from both fiscal years.

Department personnel stated that in November 2011 the Department changed procedures for processing and retaining fingerprints and photographs on children who are the responsibility of the Department and that fingerprints and photographs are to be in SACWIS (the electronic record) and not in the paper case file. The changes were communicated through announcements to Department and POS caseworkers posted on the Department's intranet starting in January 2011. A change to Procedure 301.150, which covers child identification requirements, was drafted to formally institute the new process but, it was not issued due to issues being experienced by POS agencies with some of the functionality around uploading photographs. During the interim, POS caseworkers were instructed to deliver pictures to a DCFS location where they were to be uploaded to SACWIS. In addition, Department officials indicated that the high volume of cases assigned to the case workers and critical vacancies resulted in the Department not fulfilling all case file requirements.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees and will continue to stress the importance of adequate and timely documentation for those cases identified in the auditors' finding as well as for all child and family cases. The Department will also strive to continually update written procedures as changes and requirements in case practices are identified, approved and adopted, as further described in Finding 6. Communications to caseworkers and supervisors take place through announcement on the Department's intranet and email, through notes to automated case recordkeeping releases, trainings, and written Policy, Procedure, and Administrative Procedures. All Policy, Procedure and Administrative Procedure are available through the Department's intranet and web site.

To address the requirement with the largest number of case file deficiencies noted in finding, those case files that did not have fingerprints or photographs in them. In 2011 the Department changed procedures for processing and retaining fingerprints and photographs and they were to be in SACWIS (the electronic record) and not in the paper case file. Staff received the communications issued and began to follow the revised procedure. It is clear that written procedures did not reflect what the automated steps were for uploading in SACWIS due to an issue that was identified during implementation with POS not being able to utilize the functionality. This issue was resolved in January 2013 and the POS sector was notified. Revisions to written procedures were ready for posting, but held due to the issues being experienced by POS with the functionality. The process to revise and issue new procedures can now be completed.

The requirement for photos and fingerprints is for the purpose of notifying law enforcement with a recent photo, and for fingerprints to identify a deceased child. The Department had maintained the photos and fingerprints for children at all times; some were maintained the paper record, some were in the SACWIS electronic file, and some were in both. At all times, the Department was able to produce the records if needed in support of why we keep them for identification purposes.

To address the deficiencies in the areas of Medical & Dental Consent forms, Initial Placement Checklists, Permanency Planning Checklists, Placement & Payment Authorization Forms. The

Department initiated a detailed review of the noted deficiencies and will continue to review the cases and compare the exceptions noted with procedure. After an initial investigation of selected cases identified in the detail supporting the missing forms for the finding, it appears that some were not required for cases where the goal for the child was one that did not require it. As the review proceeds any changes required to procedure or practice will be made. Also, the Department has implemented quality assurance reviews in each region to see if all required documents get into case files. Regional managers have been given the responsibility to implement monitoring/review processes that will ensure that documents in case files are current. The status of this monitoring process is discussed in weekly meetings with Regional Administrators and quarterly meetings with all supervisors/managers.

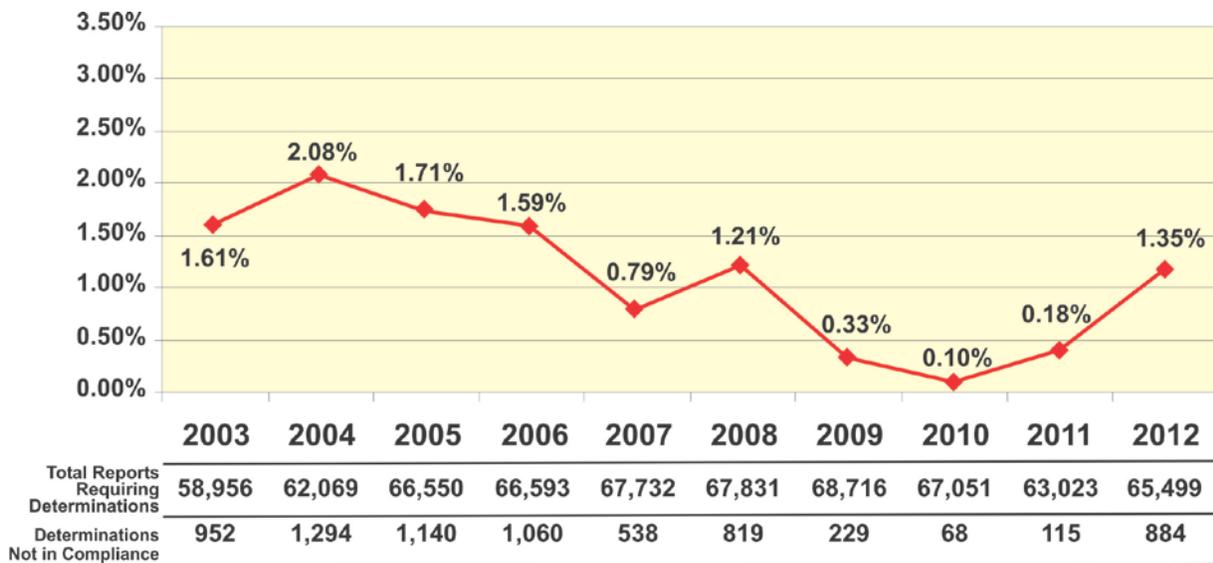
To address the issuance of notices regarding administrative case review hearings. The Department is reviewing the detail and identifying circumstances surrounding the timing. As the review progresses any changes to rule, procedure, or practice that may be needed will be initiated.

12-3. **FINDING** (Child abuse and neglect determinations)

The Department did not make timely determinations, in 884 of the 65,499 (1.35%) and in 115 of the 63,023 (0.18%) reports of child abuse and neglect referred to the Department during fiscal years 2012 and 2011, respectively, of whether the reports were “indicated” or “unfounded” as required by the Abused and Neglected Child Reporting Act.

The Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.12) 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 for up to an additional 30 days the period in which individual cases are determined. Reasons for which the determination period may be extended are limited to the following circumstances (89 Ill. Admin. Code 300.110): a) State's attorneys or law enforcement officials have requested that the Department delay making a determination due to a pending criminal investigation; b) medical or autopsy reports needed to make a determination are still pending after the initial 60 day period; c) the report involves an out-of-state investigation and the delay is beyond the Department's control; or d) multiple alleged perpetrators or victims are involved necessitating more time in gathering evidence and conducting interviews.

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



Department personnel stated that the inability to locate individuals critical to the investigation has prevented the timely completion of investigations. Also, in some instances the caseworkers failed to request an extension when permitted.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department will continue to make diligent efforts to improve on the 99.9% and reach the 100% compliance timeframe set forth in the Abuse and Neglect Child Reporting Act (ANCRA) for making final determinations.

The stipulations will be included within DCFS Procedures 300 that currently guide our investigators how to do the work. DCFS Procedures 300 is currently being re-written. The on-going focus of the Department is to develop opportunities and strategies to maintain our compliance of timely completions of investigative reports per ANCRA. Child Protection Investigators are procedurally required to:

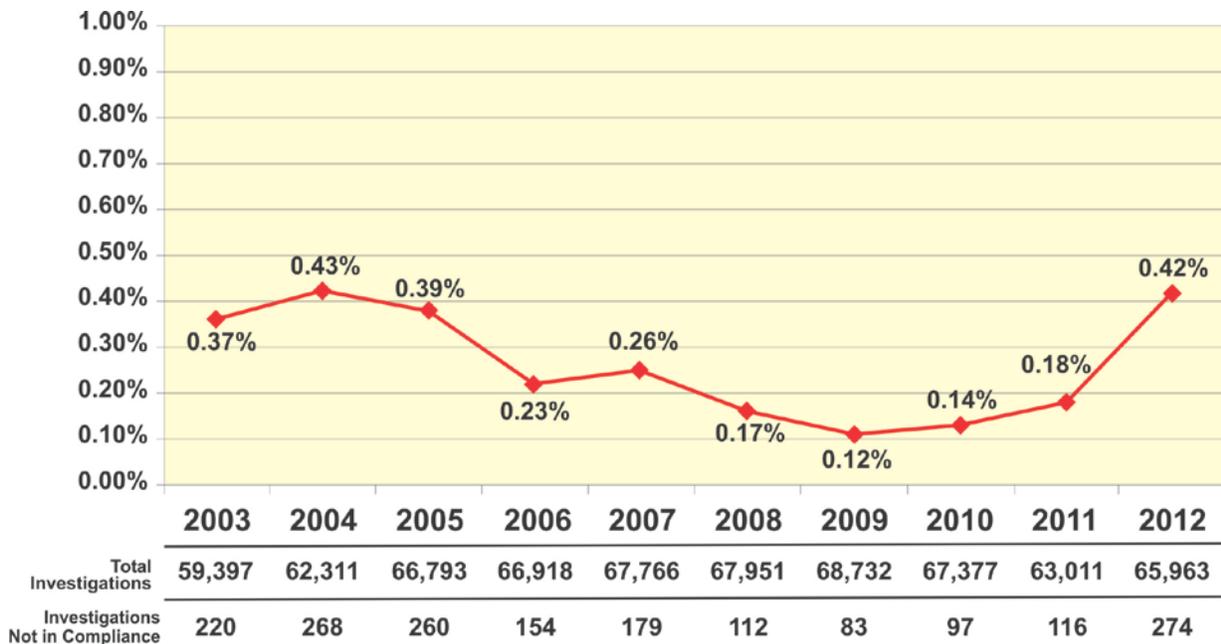
- Coordinate with law enforcement on serious cases.
- Obtain medical and or coroner results prior to closing a case.

The rate of determinations not in compliance with statute, as shown in the above chart, went from .10% in 2010 to 1.35% in 2012 due to a lack of being fully staffed. Critical vacancies play a significant role, when a team has vacancies there are delays in the disposing the investigation in 60 days. The Division of Child Protection is currently monitoring these cases weekly and developing action plans to get them completed. We are currently hiring and training additional investigative staff as part of our effort to help reduce delays and meet our 100% compliance timeframe.

12-4. **FINDING** (Initiation of child abuse and neglect investigations)

The Department did not timely initiate an investigation for 274 of the 65,963 (0.42%) reports of child abuse and neglect in fiscal year 2012, and for 116 of the 63,011 (0.18%) of child abuse and neglect in fiscal year 2011.

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



According to Department personnel, noncompliance occurs when staff records the wrong initiation time and date (a data entry error of the initiation date and time), there is a computer system malfunction, or through worker performance errors. Additionally, Department personnel stated the inability to locate individuals critical to the investigation has prevented the timely completion of investigations.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department will continue to make efforts to reach 100% compliance with the statute. It is always the Department's goal to initiate reports in 24 hours.

The Department recognizes that computer system malfunctions do occur and may reflect some delays that may not be real. This problem is quickly identified through analysis of system design and work is initiated within SACWIS to correct the problem so it will not be repeated. The data entry error of the initiation date and time include situations where an AM was entered and it should have been PM and vice versa; after hour's initiation of good faith attempts by the worker who did not enter their information before the primary worker enters their in-person contact information.

New SACWIS updates will hopefully assist with, identify and correct the technical errors. Worker performance errors are situations in which the assigned worker has not made an attempt or in person contact with the alleged victim within the 24 hour timeframe. Corrective action is taken with the employee responsible for the non-compliance and is progressive. It is anticipated that the new SACWIS 5.0 system that was implemented on April 27, 2013 will assist the Department to improve over the next 6 months in helping to reach our goal.

12-5. **FINDING** (Noncompliance with Child Death Review Team Act)

The Department's child death review teams did not have adequate controls to demonstrate that all child deaths were reviewed timely as required by the Child Death Review Team Act (Act) (20 ILCS 515/20).

The Department's child death review teams are mandated to conduct reviews of every child death for the following deceased children:

- a ward of the Department,
- the subject of an open service case maintained by the Department,
- a child who was the subject of an abuse or neglect investigation at any time during the 12 months preceding the child's death, and
- any other child whose death is reported to the State central register as a result of alleged child abuse or neglect which report is subsequently indicated.

In addition, the Children's Advocacy Center Act (55 ILCS 80/4(d)) provides that the child death review teams may at their discretion review other sudden, unexpected, or unexplained child deaths, and cases of serious or fatal injuries to a child identified under this Act.

During our examination period, the Department's quality assurance division indicated the child death review teams received death certificates for 193 mandated cases for fiscal year 2011 and 125 mandated cases for fiscal year 2012. Additionally, there were 49 cases in which it was not documented if the case was mandated or discretionary.

The purpose of the child death reviews are to: assist in determining the cause and manner of the child's death to evaluate means by which the death may have been prevented; report findings to the appropriate agencies and make recommendations that may help to reduce the number of child deaths caused by abuse or neglect; promote continuing education for professionals involved in investigating, treating, and preventing child abuse and neglect; and make specific recommendations to the Department's Director and Inspector General concerning the prevention of child deaths due to abuse or neglect and the establishment of protocols for investigating child deaths.

The Act requires that child death review teams perform reviews of child deaths not later than 90 days from the completion of the Department's investigation, or if no investigation, within 90 days after obtaining information necessary to complete the review. We noted the following with respect to the information recorded within the database developed by the Department to facilitate its coordination and monitoring of the child death review team activities.

- For mandated cases in which the review was complete and a date the investigation was closed was provided:
 - 100 of 127 reviews for fiscal year 2011 were not conducted within 90 days from the close of the investigation (79%). On average, these reviews were conducted 209 days from that date.
 - 60 of 85 reviews for fiscal year 2012 were not conducted within 90 days from the close of the investigation (71%). On average, these reviews were conducted 158 days from that date.
- For mandated cases in which the review was completed and there was not a date for investigation being closed (the date the case was entered into the child death review team database was used due to unavailability of the receipt date of the death certificate or the date the teams obtained information necessary to complete the review):
 - 20 of 66 reviews for fiscal year 2011 were not conducted within 90 days from the date the

- case was entered into the database (30%). On average, these reviews were conducted 94 days from that date.
 - 29 of 40 reviews for fiscal year 2012 were not conducted within 90 days from the date the case was entered into the database (73%). On average, these reviews were conducted 154 days from that date.
 - For fiscal year 2012 cases in which it was not documented if the case was mandatory or discretionary and in which the review was completed and a date the investigation was closed was provided:
 - 25 of 33 reviews were not conducted within 90 days from the date the case was entered into the database (76%). On average, these reviews were conducted in 160 days.
 - For fiscal year 2012 cases in which it was not documented if the case was mandatory or discretionary and in which the review was completed and there was not a date for investigation being closed (the date the case was entered into the child death review team database was used due to unavailability of the receipt date of the death certificate or the date the teams obtained information necessary to complete the review):
 - 7 of 16 reviews were not conducted within 90 days from the date the case was entered into the database (44%). On average, these reviews were conducted in 97 days.
 - 1 mandated case for fiscal year 2012 was documented as having a review; however, there was no date entered for the opening of the case.

In our previous examination, we had also noted that the Act requires each of the Child Death Review Teams to meet quarterly and that one of the quarterly meetings did not occur. During our current examination period, all Child Death Review Teams met quarterly, as required.

Department personnel stated that improvements have been made in obtaining death certificate information for entry in the Child Death Review Team database. However, due to the volume of cases received not all were reviewed in the prescribed time requirements.

Good internal controls require that adequate procedures exist to ensure compliance with the Act is adequately documented. The Department was unable to demonstrate that it complied with the Act's requirement to review child deaths within the time requirements set forth therein.

Failure to comply with the Child Death Review Team Act diminishes the effectiveness of the purposes for which the child death review teams serve and also is noncompliance with duties mandated by law. (Finding Code No. 12-5, 10-5, 08-10)

RECOMMENDATION

We recommend the Department continue in its efforts to implement controls to ensure child death review teams adequately document their compliance with the Child Death Review Team Act. All child death reviews should be conducted within the time period established by the Act.

DEPARTMENT RESPONSE

The Department agrees with the finding and is continuing with its plan to improve compliance with the Act. The Department is current on entering deaths received from the Illinois Department of Public Health and current on SACWIS checks. We are also working on a new data base for CDRT that will allow deaths to be entered only once which should improve internal efficiencies. Each death reported must have a SACWIS check completed which requires staff to review each one to determine if it meets the

CDRT mandate for review and pick discretionary cases. This SACWIS check and review is not currently affecting the time in which cases are reviewed and the Department is up to date. Once deaths are entered into the database and SACWIS checks are completed, the Review Teams are notified of the mandated cases.

Once the Teams are notified, they review the cases assigned to their teams at scheduled monthly or bi-monthly meetings. At this time, the Teams struggle with the 90 day deadline set by legislation due to the amount of time it takes CDR Teams to complete thorough reviews of cases. The Department works closely with each Team and monitors their progress on reviews. Currently Aurora has 9 cases from calendar year 2012 to review and, with monthly meetings, it could take two to three meetings to complete these cases before reviewing any cases from 2013 (none referred at this time). The two Cook regions have a total of 30 cases from 2012 to review with two teams reviewing the cases with scheduled bi-monthly meetings. Cook A has four cases scheduled for review this month and Cook B has five cases scheduled for this month; thus if no cases are carried over they will complete 9 cases this month and that will leave them with 21 cases to review. If both teams review five cases at upcoming meetings it will take two additional months before completing the reviews.

The East St Louis Team has three cases open. The Team is very thorough on cases and typically only reviews two cases each month. They will meet this month and then will require one more month to complete the current reviews. The Marion Team has eight cases open and they meet every other month. They will meet again in July. They will review four cases then and we will ask them to meet again in August to get these cases out which should complete the reviews. Peoria has five cases open. Peoria will meet in May and they usually meet every other month. They will probably review three cases this month and will meet again in July. Rockford has two cases open they will meet in June and will have these completed. There are no pending cases for review in the Springfield and Champaign Regions.

12-6. **FINDING** (Inconsistent identification procedures)

Department practice and written procedures were inconsistent for maintaining fingerprints of children for whom the Department was responsible.

As noted in Finding 12-2, 36 (61%) of 59 case files examined did not have fingerprints of children who were wards of the State.

The Department's Identification Procedures for Children in Placement, Procedure 301.150, requires caseworkers to complete the applicable sections of CFS 680-Child Identification Form (CFS 680) within 30 days of the Department becoming legally responsible for a child. The Child Location and Support Unit is required to maintain a database containing fingerprints (301.150(c)1) and to send two copies of the fingerprints to the child's caseworker. A completed CFS 680 should include fingerprints of the child.

The Department stated that in November 2011 it changed procedures for processing and retaining fingerprints on children who are the responsibility of the Department and that fingerprints are to be in SACWIS (the electronic record) and not in the paper case file. The Department communicated the change through announcements to Department and POS caseworkers and those announcements were issued and posted on the Department's intranet starting in January 2011. A change to Procedure 301.150, which covers both fingerprints and photographs being used in child identification requirements, was drafted to formally institute the new process but, it was not issued due to issues being experienced by POS caseworkers with some of the functionality around uploading photographs that required revision.

Failure to update and communicate procedures prevents managers and liaisons from supervising assigned caseworkers and cases properly. Moreover, the lack of readily accessible fingerprints could hinder an effective response in the event of time sensitive circumstances such as an abduction, runaway, or an accident, when identification of a child is critical. (Finding Code No. 12-6)

RECOMMENDATION

The Department should ensure its operating procedures are in accordance with current practices and that all staff are aware of changes as they are put into operations. Proposed and actual changes in procedures should be circulated to staff prior to implementation.

DEPARTMENT RESPONSE

The Department agrees and will work to change the wording in Procedure 301.50 to conform to the new process. As noted in finding, a number of case files did not have fingerprints in them; however, staff received the communications issued and began to follow the revised procedure. It is clear that written procedures did not reflect what the automated steps were for uploading in SACWIS due to an issue that was identified during implementation with POS not being able to utilize the functionality. This issue was resolved in January 2013 and the POS sector was notified. Revisions to written procedures were ready for posting, but held due to the issues being experienced by POS caseworkers with the functionality. The process to revise and issue new procedures can now be completed as the technical issues have been resolved.

The requirement for photos and fingerprints is for the purpose of notifying law enforcement with a recent photo, and for fingerprints to identify a deceased child. The Department had maintained the photos and fingerprints for children at all times; some were maintained the paper record, some were in the SACWIS electronic file, and some were in both. At all times, the Department was able to produce the records if needed in support of why we keep them for identification purposes.

12-7. **FINDING** (Failure to monitor contracts)

Department procedures to monitor and review contractual performance on contracts awarded for services were not adequate.

The Department did not adequately monitor performance of services on 3 of 25 (12%) award and grant contracts sampled, totaling \$22,898,531. Vouchers were processed for each of these three contracts with no documentation verifying the services were performed, no reconciliations with services requested, and no documented approval by the unit who requested the service.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS10/3001) requires all State agencies to establish and maintain internal controls to ensure State resources are used efficiently and are safeguarded against loss. In addition, good business practices require that entities monitor contractual agreements to ensure invoices received are for services authorized and performed, not duplicated or incomplete, and performance is in accordance with contracts terms and requirements.

Department personnel stated that with respect to the two external contracts noted above that approvals by responsible Department units were not communicated and coordinated with Department staff assigned contract monitoring duties. This same situation existed with respect to the third contract noted above that was with another State of Illinois agency.

Failure to monitor performance of contracted services could lead to overpayments and payments for services not performed or not agreed to. (Finding Code No. 12-7)

RECOMMENDATION

We recommend the Department implement procedures to ensure contract payments are for services received and that adequate approvals of those services are documented.

DEPARTMENT RESPONSE

The Department agrees with the recommendation. The Department, after review of the information supporting the finding, notes that two of the contracts are CMS master contracts in which DCFS participates and files COD-specific obligations for each contract with the Comptroller to permit payments.

The first contract is for fingerprinting services for four separate units within DCFS: Licensing–day care, Licensing-foster care, Office of Employment Services, and Operations–CIRU; and, for a unit within DHS. The vendor takes fingerprints at prescribed DCFS locations and schedules. All persons getting fingerprints are required to have a DCFS authorization (CFS form 718) with the purpose marked in the authorization before the vendor will take fingerprints. The vendor sends a daily run (report) of fingerprints which are separated and forwarded to each requesting unit with corresponding TCN numbers (a unique identifier that ties each fingerprint to its authorization and background check). The second contract was for language translation services purchased on a per session basis. The third agreement was with Illinois State Police, which is an Intergovernmental Agreement. State Police send a daily run (report) of background checks to DCFS.

The vendor for fingerprinting services sends an invoice and detail listings of fingerprints taken each month to the DCFS Division of Budget and Finance along with an electronic file matching the listing. The electronic file is coded by the requesting unit and those coded for DHS are forwarded to that Department for payment.

One DCFS unit, Operations-CIRU receives a detail list of fingerprints taken, by child case ID which it reviews and processes for payment. The Division of Budget & Finance is further implementing the procedure for separating the detail computer file supporting the billing for the two Licensing units and will forward the detail to each to review detail services by TCN before Budget & Finance processes payments to the vendor for the services.

Billings for fingerprinting and background checks for DHS are processed and paid in accordance with an inter-agency agreement between DCFS and DHS which delegates the criminal history check process to DCFS . Under terms of the agreement, all charges are to be in agreement with the contractual obligations between the vendors, AFSCME and DCFS and DHS. Vouchers that detail charges for fingerprints and background charges for each month as billed by the vendors are forwarded to DHS for their review and payment.

The agreement with the vendor for translation services was terminated and replaced in FY 2013 with a new vendor. Procedures established for that agreement includes requiring individuals in the program area that use either the translation or interpretation services to review detail services by case individual before Budget & Finance processes payment for the services.

Payments for background checks are paid in accordance with an agreement with Illinois State Police that includes a schedule of rates for specific services and are billed based by TCN code, the unique identifier described earlier, assigned at the time of fingerprint authorization. That agreement requires the ISP do an annual review of cost used to establish the level of fees charged.

Payments for background checks, fingerprinting, and translations services are fee for service agreements that are dependent on the volume of children entering care, provider employee turnover, new or replacement DCFS hiring, and DHS daycare needs. The DCFS budget office compares annual budget projections for each service and unit requesting service with actual usage as a further administrative control over these services.

12-8. **FINDING** (Inadequate property control procedures)

The Department's procedures over property control were not adequate.

During our testing of property, we noted several inconsistencies and a lack of adequate procedures:

- The property listing did not match the ending balance on the Report of State Property (C-15) submitted to the Comptroller.
- The expenditures per the Comptroller's records, the C-15 additions, and the Department records were not reconciled by the Department.
- The Department did not handle cut-off properly. Items purchased were not put on the inventory in the proper period.
- Unused/surplus assets being held at the Department of Corrections are not tagged and included in inventory.
- The property listing's location field was inaccurate as inventory transferred between offices was not updated timely and accurately.

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

Department officials have indicated that they are working on reconciling and ensuring all property information is accurate and timely.

Failure to properly keep accurate records regarding property and equipment, in a timely fashion, could result in misappropriation of assets as well as misreporting to the Comptroller. (Finding Code No. 12-8, 10-7)

RECOMMENDATION

We recommend the Department review and implement new procedures over property control to include:

- Reconciliations should be prepared in a timely manner to detect errors. Such reconciliations that should be prepared include:
 - Fixed asset property listing should be reconciled to the Report of State Property (C-15) ending balance for all equipment.
 - Expenditures per the Comptroller records should be reconciled to the purchases listing maintained by the Department.
 - Expenditures per the Comptroller records should be reconciled to the C-15 additions.
 - The purchases listing maintained by the Department should be reconciled to the C-15 additions.
- Items should be entered into property records when the item is received and the voucher is released for payment, and these items should be reported on the C-15 for the quarter they were added as equipment inventory. Consistent treatment should be used for all equipment.
- All items over \$100 should be tagged and included in inventory totals, even if they are stored at the Department of Corrections.
- Items moved from one location to another should be updated in the agency records timely and accurately.

DEPARTMENT RESPONSE

The Department agrees with the recommendation. The Department will review and continue to enhance, as necessary, its current system of gathering property and equipment asset information to improve the accuracy and timeliness of posting transactions to its property control records and devote necessary personnel to these tasks. The Department is evaluating new software that will allow for permissions for regional Business Managers to record equipment moves timely (on the same day of the move). And, specific requests and instruction have been issued to require more timely identification of additions. It is noted that no reports of misappropriation of assets or lost equipment inventory items was identified in the finding. The Department regularly performs reconciliations of property inventory and expects to have the reconciliations completed more timely and be in better form for auditors to review in the future.

12-9. **FINDING** (Untimely approval of contracts)

The Department did not obtain signed contracts from all vendors prior to commencement of services.

Although significant improvement was noted during this examination, during our review of a sample of 40 contracts, totaling \$85,389,266, we noted that 3 contracts (8%) were signed 25 to 293 days after the commencement of the contract period.

As noted in the Department of Children and Family Services Code of Regulations (89 Ill. Admin. Code 357.110), “purchase of service providers under contract to the Department must comply with Federal and State laws and regulations and Department rules. When the provider signs the purchase of service contract, this signature shall be the provider’s certification of compliance with the applicable laws, regulations, and rules.” Furthermore, it is prudent business practice to require contracts to be signed prior to the commencement of services or the procurement of goods.

Department personnel stated that they have reviewed procedures and contract language in order to develop processes that will allow compliance with applicable rules, and changes have been made to procedures for developing and processing contracts to enable timely service delivery dates. However, the Department continued to have difficulty in obtaining signed contracts from vendors prior to service delivery dates.

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

RECOMMENDATION

We recommend the Department continue in its efforts to ensure all contracts are approved and signed before the beginning of the contract period.

DEPARTMENT RESPONSE

The Department agrees to continue its efforts to get contracts signed before the beginning of the contract period. DCFS has critical contracts with providers and emergency situations that, even during timeframes when budget negotiations delay appropriations, may not be completely processed to include all signatures prior to the service begin date in the agreement. The Department will continue to work on reaching the desired objective of getting all signatures prior to the beginning date in the agreement.

We have implemented a detailed processing, target date, schedule each year for contract processing as a part of the preparation and contract training to aid in meeting that objective. In addition, while services may be started prior to the date a contract is signed by all parties and complete, it is the policy of the Department to not make payment without a signed agreement in place.

We include a cover letter with all contracts sent to our contracted vendors to complete that clearly indicate that existing State of Illinois rules required timely execution of contracts before payments could be authorized. We continue to remind our vendors of this requirement as well as inform and encourage management staff to adhere to this requirement before initiating contractual services before they are committed to writing and properly executed.

We will continue to remind our vendors of this requirement as well as inform and encourage our management staff to adhere to this requirement before initiating contractual services before they are

committed to writing and properly executed. In addition, we conducted a detailed review of the three contracts referenced in the finding to determine where changes, if any, might be made to our processing procedures. None of contracts identified were Professional or Artistic Contracts; they all fall under Purchase of Care or other services.

12-10. **FINDING** (Federal reimbursements not requested timely)

The Department did not request reimbursement of federally supported programs in a timely manner.

The Department participated in 32 federally supported programs in fiscal year 2012. Of the 32 programs, 7 of these had receivables at the end of the fiscal year greater than 75% of the year's total reimbursable costs. Listed below is a breakdown of prior year receivables, current year reimbursable costs, amount received in the current year, and end of the year receivables for those 7 grants (amounts in thousands):

| Grant ID | PY Receivable | CY Reimbursable Cost | CY Receipts | End of Year Receivables | % of Reimbursable Cost Remains as Receivable at Year End |
|----------|------------------|----------------------------|----------------|----------------------------|--|
| 1127 | \$13,491 | \$10,812 | \$15,073 | \$ 9,230 | 85% |
| 1128 | \$49,400 | \$78,167 | \$60,300 | \$67,267 | 86% |
| 1129 | \$28,573 | \$32,431 | \$26,403 | \$34,601 | 107% |
| 1131 | \$68,064 | \$117,250 | \$90,450 | \$94,864 | 81% |
| 1132 | \$31,608 | \$48,648 | \$39,605 | \$40,651 | 84% |
| 1140 | \$2,523 | \$3,801 | \$3,165 | \$3,159 | 83% |
| 1141 | \$3,786 | \$5,702 | \$4,748 | \$4,740 | 83% |

Additionally, the Department had 3 grants in which there were no reimbursable costs incurred in fiscal year 2012 that had outstanding receivable balances from the prior year totaling \$150,000.

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

Department personnel indicated the Department limited the amount and timing of cash requests to draw funds only in the amount necessary to meet actual and immediate program needs. Department personnel believe the draws made were in compliance with the Cash Management Improvement Act (CMIA) criteria specified in the applicable grant award letters.

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

RECOMMENDATION

We recommend the Department request earned federal reimbursements in a timely manner.

DEPARTMENT RESPONSE

The Department agrees with the recommendation and through the Division of Budget and Finance has tightened policies to ensure going forward that the funds will be drawn in accordance with the State's Treasury State Agreement (TSA) on the median day of the month. The receivables listed above are as of June 30, 2012 and do not consider the disbursements of \$53,515 that were required during the FY12 lapse period. The balances also do not consider the increased reliance on the Children's Service Fund disbursements planned for the FY13 and FY14 budgets where General Revenue funds will be less available. While the Department recognizes that the TSA which is required under the CMIA, is written to address grants, not draw downs related to reimbursements, the Division of Budget and Finance has been

prioritizing the Cash Management Improvement Act (31 CFR Part 205) which stipulates that Federal Funds only be drawn to meet actual and immediate program needs. We are currently modifying the language of the State's TSA with GOMB to make the TSA more consistent with the Department's procedures; we will then modify our procedures when making draws to be consistent with a revised TSA.

12-11. **FINDING** (Employee performance evaluations not performed)

Annual performance evaluations were not completed on a timely basis.

We reviewed personnel files for 25 employees from fiscal year 2011 and 25 employees from fiscal year 2012. We determined 8 of 25 (32%) employees did not receive evaluations in fiscal year 2011 and 7 of 25 (28%) employees did not receive evaluations in fiscal year 2012.

The Illinois Administrative Code (80 Ill. Admin. Code 420.350) states that performance evaluations should be considered when determining salary increases, promotions, layoffs, discipline, and other changes in an employee's status. The Department of Central Management Services Handbook for Individual Development and Performance Chapter 5, Section 5.4 recommends each employee be counseled with respect to individual development and furnished a copy of the completed performance evaluation form no less than once every twelve months or as otherwise required. The Department of Children and Family Services also has an internal policy requiring evaluations on at least an annual basis.

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

Employee performance evaluations are an effective management tool for helping employees work toward common goals. Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. They should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall and reinstatement decisions. (Finding Code No. 12-11, 10-11, 08-15)

RECOMMENDATION

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

DEPARTMENT RESPONSE

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

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

12-12. **FINDING** (Failure to comply with the Identity Protection Act)

The Illinois Department of Children and Family Services (Department) failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the Department to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During our testing, we noted the Department had not issued an identity-protection policy.

Department officials stated the Identity Protection Act was inadvertently overlooked and not relayed to the Office of Children and Family Policy to develop the policy for review and issuance.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 12-12)

RECOMMENDATION

We recommend the Department develop and approve an identity protection policy as required in the Identity Protection Act.

DEPARTMENT RESPONSE

The Department agreed with the finding and a request for the identity protection policy was sent to the DCFS Office of Child and Family Policy (OCFP) in September 2012. In December 2012, OCFP requested the Office of Information and Technology Service to draft the procedure and a draft was sent to OCFP on January 28, 2013. The draft policy, AP 27, was posted to the D-Net for comments on April 19, 2013. We anticipate completing the review process in 30 days.

12-13. **FINDING** (Noncompliance with the Abused and Neglected Child Reporting Act)

The Department did not perform annual reporting and enter into an inter-agency agreement as required by the Abused and Neglected Child Reporting Act (Act).

The Act (325 ILCS 5/7.3c) states that the Department, with the Department of Human Services, shall develop a community based system of integrated child welfare and substance abuse services for the purpose of providing safety and protection for children, improving adult health and parenting outcomes, and improving family outcomes. The Department, in cooperation with the Department of Human Services, shall develop case management protocols for Department clients with substance abuse problems and shall evaluate the effectiveness of these pilot programs and report to the Governor and the General Assembly on an annual basis. The Act (325 ILCS 5/7.20) also requires the Department to enter into an inter-agency agreement with the Secretary of State to establish a procedure by which employees of the Department may have immediate access to driver's license records maintained by the Secretary of State if the Department determines the information is necessary to perform its duties under the Abused and Neglected Child Reporting Act, the Child Care Act of 1969, and the Children and Family Services Act.

During our examination, we noted that:

- The Department, established a community based system, Child Welfare Substance Abuse Service. However, the Department did not submit a report to the General Assembly or Governor documenting the case management protocols and the program's effectiveness.
- The Department's inter-agency agreement with the Secretary of State expired in November 2011 and was not renewed.

The Department stated the noncompliance with the Act was due to oversight.

Compliance with this Act is vital to protecting the health, safety, and best interest of the child in all situations in which the child is vulnerable to child abuse or neglect. (Finding Code No. 12-13)

RECOMMENDATION

We recommend the Department establish or renew an inter-agency agreement with the Secretary of State and submit an annual report on the effectiveness of the community based system of integrated child welfare and substance abuse services as required by the Abused and Neglected Child Reporting Act.

DEPARTMENT RESPONSE

The Department agreed with the finding.

The Department's General Counsel's Office is currently working with the Office of the Secretary of State on a draft of a revised IGA to be in compliance with 325 ILCS 5/7.20.

The Department prepared the annual report with the evaluations of pilot programs serving DCFS families affected by substance abuse for 2012 and submitted it to the Governor and legislative leaders on July 31, 2012. The Department is preparing the current year annual report and plan to have it ready for the Director's review and signature before the end of July 2013.

12-14. **FINDING** (Noncompliance with the Afterschool Youth Development Project Act)

The Department's representative did not serve on the Illinois Youth Development Council (Council), as required by the Afterschool Youth Development Project Act (Act).

The Afterschool Youth Development Project Act (325 ILCS 27/15(a)) was effective July 27, 2010 and required the creation of the Illinois Youth Development Council. The Council is to provide oversight and coordination of the State's public funds invested to support positive youth development programs and activities and to set system wide policies and procedures. The Act requires the Director of the Department to serve on the Council.

Department officials stated that the noncompliance was due to oversight and the change in Directors. We noted the Director joined the Council subsequent to June 30, 2012 but we have performed no procedures to determine whether meetings have been attended.

The Director's participation is necessary to enable the Illinois Youth Development Council to provide oversight and coordination to the State's public funds currently invested to support positive youth development programs and activities. (Finding Code No. 12-14)

RECOMMENDATION

We recommend the Department continue in its efforts to fulfill its mandated participation in the Illinois Youth Development Council as required by the Afterschool Development Project Act.

DEPARTMENT RESPONSE

The Department agrees and plans to continue its efforts to fulfill its role in the Illinois Youth Development Council. It should be recognized that, as set forth in the Act, the Council was created within the Department of Human Services and that the Department of Children and Family Services' Director is a member of the Council. There has been no activity by the Council.

12-15. **FINDING** (Accident reports not submitted timely)

The Department did not submit vehicle accident reports timely.

During the examination period, Department employees were involved in 14 accidents in State-owned vehicles. We reviewed all of the reports and determined 7 of the 14 (50%) related accident reports were not timely filed, ranging from 1 to 53 days late.

The State of Illinois Vehicle Guide requires all accidents be reported to the Department of Central Management Services (DCMS) within seven calendar days after the accident.

Department officials stated that upon notification of an accident, a cover letter and accident report form is sent to the employee involved in the accident. The employee is instructed to return the forms within 7 days; however, this does not always happen.

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

RECOMMENDATION

We recommend the Department implement procedures to ensure vehicle accident reports are submitted to DCMS within the seven calendar day requirement.

DEPARTMENT RESPONSE

The Department agreed and has implemented two new procedures to resolve this issue. First, new instructions that make it more obvious those employees must return completed forms to the vehicle coordinator within 7 days of an accident so they can be forwarded to CMS. Second, the vehicle coordinator now copies employee's supervisors on all correspondence regarding an accident so they are also aware of the 7 day timeframe. These changes were implemented on February 19, 2013.

12-16. **FINDING** (Noncompliance with the State Services Assurance Act for FY2008)

The Department did not increase and maintain the number of bilingual staff as required by the State Services Assurance Act.

The State Services Assurance Act for FY2008 (Act) (5 ILCS 382/3-15) required that on or before July 1, 2008 the Department shall increase the number of bilingual on-board frontline staff by 40 over the levels that it maintained on June 30, 2007. The Act also requires the Department to maintain its bilingual staff at the increased level.

At June 30, 2007, the Department had 154 bilingual frontline staff. Therefore, it is required by the Act to maintain a bilingual staffing level of 194. The number of bilingual staff has increased from 148 in March 2010 to 176 in March 2012; however, the total has not yet reached the required 194.

Department officials stated the Department works to maintain the staffing levels needed to manage case loads and believes the statute should be amended. In addition, Department officials stated turnover and budget constraints have made it difficult to increase bilingual staff.

Because the Department did not increase and maintain its level of bilingual staff, it is in noncompliance with the State Services Assurance Act for FY2008. (Finding Code No. 12-16, 10-12)

RECOMMENDATION

We recommend the Department comply with the State Services Assurance Act for FY2008 or alternatively, if determined that additional bilingual staff are not needed, seek a legislative remedy to the statutory requirement.

DEPARTMENT RESPONSE

The Department has and continues to maintain Interpretative Services which is available to all direct service workers. The Department works to maintain staffing levels to meet the needs to manage caseload and believes the statute could be changed. The Burgos Consent Decree of 1977, a federal mandate, requires the Department of Children and Family Services to provide services in Spanish to Spanish speakers and those requesting services in Spanish. The consent Decree legally covers only the Cook and Aurora regions but its principles are applied statewide. The Burgos Consent Decree requires that DCFS and all of its vendors comply in providing services in Spanish to Spanish speakers. The Decree requires that all direct service staff as well as their supervisors take their Burgos training annually. It requires that DCFS offices that service Spanish-speaking families be staffed with Spanish speaking direct service workers. The Office of Latino Services (OLS), under the Office of Affirmative Action, is charged with implementing the policies and procedures associated with Latino Services and issues for the Department of Children and Family Services. Moreover, it coordinates with private agencies that have contracts with DCFS, oversees translations and interpretations between Spanish and English while communicating with Spanish speaking clients and individuals, develops strategies for recruitment of Spanish bilingual foster parents, provides oversight in retention and recruitment of Hispanic/bilingual applicants for positions in DCFS, and helps DCFS monitor compliance of the Burgos Consent Decree.

The Department is not disregarding the State Assurance Act of 2008. The Department has made efforts to meet this mandate and will continue to do so, while addressing the needs of all the clients it serves and will continue to fill as many bilingual positions as possible considering current budget restrictions, intake caseloads, and number of non-English clients served. DCFS will continue to maintain translation services,

continue its recruitment efforts targeted to bilingual vacancies, and continue programs such as career development, self-development and training programs targeted to its bilingual employees.

State of Illinois
Department of Children and Family Services

Schedule of Findings – Prior Findings Not Repeated
Two Years Ended June 30, 2012

A. FINDING (Noncompliance with the Interstate Compact on Adoption Act)

The Department did not annually verify any medical assistance agreements are still in force or have been renewed as required by the Interstate Compact on Adoption Act (45 ILCS 17/5-35).

In prior years, the Department was seeking legislation reform as response to noncompliance with this Act. During our examination period, the Department reviewed a monthly Title IV-E spreadsheet from the Department of Human Services to determine the status of the agreements on a monthly basis. (Finding Code No. 10-8, 08-7, 07-6, 06-6, 05-8, 04-8, 03-6)

B. FINDING (Telecommunications charges review)

Department personnel did not properly review and approve all telephone charges on the telephone bills received and paid by the Department. The Department's practice no longer required each person to sign the invoices verifying their calls were work related. However, the internal procedures of the Department had not been updated to reflect the current practice.

The Department updated their internal procedures, and during the current examination invoices for telephone charges were properly reviewed and approved in accordance with the updated procedures. (Finding Code No. 10-9, 08-8, 07-7, 06-8, 05-10, 04-13)

C. FINDING (Child abuse and neglect prevention plan not submitted timely)

The Department did not submit a comprehensive child abuse and neglect prevention plan by the date required by the Children and Family Services Act (20 ILCS 505/4a).

The Department was successful in lobbying to extend the filing deadline from the first Friday in April to the first Friday in October (P.A. 97-0020) in order to be in compliance with this Act. During the current examination the child abuse and neglect prevention plan was submitted prior to the deadline. (Finding Code No. 10-10, 08-11)

D. FINDING (Noncompliance with Interagency Coordinating Council)

The Department did not appoint a representative to serve on the Interagency Coordinating Council as required by the Interagency Coordinating Council Act.

The Department has appointed a representative to serve on the Council as required by the Act. (Finding Code No. 10-13)

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-1, lack of financial reporting review procedures.

EXIT CONFERENCE

The Department accepted the finding and accordingly waived an exit conference to discuss the finding. The response to the recommendation was provided by Mr. Chuck Morris, Deputy Director of Budget and Finance and Chief Financial Officer of the Department, in correspondence dated March 20, 2013.



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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Children and Family Services, as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Children and Family Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Children and Family Services are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Children and Family Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Children and Family Services, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2013, on our consideration of the State of Illinois, Department of Children and Family Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements. The combining non-major and fiduciary and the Agency Fund statements and the accompanying supplementary information for the year ended June 30, 2012 in State Compliance Schedules 1 and 3 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining non-major and fiduciary and the Agency Fund statements and the accompanying supplementary information for the year ended June 30, 2012 in State Compliance Schedules 1 and 3 through 10 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major and fiduciary and the Agency Fund statements and the accompanying supplementary information for the year ended June 30, 2012 in State Compliance Schedules 1 and 3 through 10 are fairly stated in all material respects in relation to the basic financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Department of Children and Family Services' basic financial statements for the year ended June 30, 2010 (not presented herein), and have issued our report thereon dated June 8, 2011, which contained unqualified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2010 in Schedules 3, 5, 7 and 8 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2010 financial statements. The accompanying supplementary information for the year ended June 30, 2010 in Schedules 3, 5, 7 and 8 has been subjected to the auditing procedures applied in the audit of the June 30, 2010 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2010 in Schedules 3, 5, 7 and 8 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2011 in the State Compliance Schedules 2 through 10 and the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Sikich LLP

Decatur, Illinois

March 26, 2013, except for the June 30, 2012 information contained in State Compliance Schedules 1 and 3 through 10, as to which the date is June 5, 2013

State of Illinois
Department of Children and Family Services

Statement of Net Assets and Governmental Funds Balance Sheet

June 30, 2012 (Expressed in Thousands)

| | General Fund 0001 | Other Nonmajor Funds | Total Governmental Funds | Adjustments | Statement of Net Assets |
|---|----------------------|----------------------------|--------------------------------|------------------|----------------------------|
| ASSETS | | | | | |
| Unexpended appropriations | \$ 52,143 | - | \$ 52,143 | \$ - | \$ 52,143 |
| Cash equity with State Treasurer | - | 4,189 | 4,189 | - | 4,189 |
| Cash and cash equivalents | 1,083 | 343 | 1,426 | - | 1,426 |
| Securities lending collateral equity with State Treasurer | - | 70 | 70 | - | 70 |
| Due from other government - federal | - | 258,868 | 258,868 | - | 258,868 |
| Other receivables, net | 1,725 | - | 1,725 | - | 1,725 |
| Due from other Department funds | - | 6 | 6 | (6) | - |
| Due from other State funds | 192 | 200 | 392 | - | 392 |
| Prepaid expenses | - | - | - | 187 | 187 |
| Capital assets being depreciated, net | - | - | - | 196 | 196 |
| Total assets | \$ 55,143 | \$ 263,676 | \$ 318,819 | 377 | 319,196 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 60,730 | \$ 54,809 | \$ 115,539 | - | 115,539 |
| Intergovernmental payables | 1,838 | 5,523 | 7,361 | - | 7,361 |
| Due to other Department funds | 6 | - | 6 | (6) | - |
| Due to other State funds | 9,866 | 528 | 10,394 | - | 10,394 |
| Due to State of Illinois component units | 5,290 | 3,828 | 9,118 | - | 9,118 |
| Obligations under Securities Lending of State Treasurer | - | 70 | 70 | - | 70 |
| Unavailable revenue | - | 258,868 | 258,868 | (258,868) | - |
| Deferred revenue | - | 38 | 38 | - | 38 |
| Long-term obligations: | | | | | |
| Due within one year | - | - | - | 1,250 | 1,250 |
| Due subsequent to one year | - | - | - | 23,732 | 23,732 |
| Total liabilities | 77,730 | 323,664 | 401,394 | (233,892) | 167,502 |
| FUND BALANCES/NET ASSETS | | | | | |
| Fund Balances (Deficit): | | | | | |
| Restricted | - | 396 | 396 | (396) | - |
| Committed | - | 250 | 250 | (250) | - |
| Assigned | - | 59 | 59 | (59) | - |
| Unassigned | (22,587) | (60,693) | (83,280) | 83,280 | - |
| Invested in capital assets, net of related debt | - | - | - | 196 | 196 |
| Restricted net assets | - | - | - | 396 | 396 |
| Unrestricted net assets | - | - | - | 151,102 | 151,102 |
| Total Fund Balances(Deficit)/net assets | (22,587) | (59,988) | (82,575) | 234,269 | 151,694 |
| Total liabilities and fund balances | \$ 55,143 | \$ 263,676 | \$ 318,819 | | \$ 151,694 |

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

State of Illinois
Department of Children and Family Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

| | | |
|---|-----------|----------------|
| Total fund balances (deficit)-governmental funds | \$ | (82,575) |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> | | |
| Prepaid expenses for governmental activities are current uses of financial resources for funds | | 187 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 196 |
| Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds. | | 258,868 |
| Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of: | | |
| Compensated absences | | (24,982) |
| Net assets of governmental activities | \$ | 151,694 |

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

State of Illinois
Department of Children and Family Services

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | General Fund 0001 | Other Nonmajor Funds | Total Governmental Funds | Adjustments | Statement of Activities |
|--|----------------------|----------------------------|--------------------------------|-------------------|----------------------------|
| Expenditures/expenses: | | | | | |
| Health and social services | \$ 825,964 | \$ 383,521 | \$ 1,209,485 | \$ 354 | \$ 1,209,839 |
| General government | - | 1,620 | 1,620 | - | 1,620 |
| Capital outlays | 24 | - | 24 | (24) | - |
| Total expenditures/expenses | 825,988 | 385,141 | 1,211,129 | 330 | 1,211,459 |
| Program revenues: | | | | | |
| Charges for services: | | | | | |
| Licenses and fees | 46 | 381 | 427 | - | 427 |
| Other | 12,793 | 5,244 | 18,037 | - | 18,037 |
| Total charges for services | 12,839 | 5,625 | 18,464 | - | 18,464 |
| Operating grant revenue: | | | | | |
| Federal | - | 347,716 | 347,716 | 54,056 | 401,772 |
| Total operating grant revenue | - | 347,716 | 347,716 | 54,056 | 401,772 |
| Net program revenues (expense) | (813,149) | (31,800) | (844,949) | 53,726 | (791,223) |
| General revenues: | | | | | |
| Interest and investment income | - | 1 | 1 | - | 1 |
| Other | - | 693 | 693 | - | 693 |
| Total general revenues | - | 694 | 694 | - | 694 |
| Other sources (uses): | | | | | |
| Appropriations from State resources | 812,534 | - | 812,534 | - | 812,534 |
| Lapsed appropriations | (7,066) | - | (7,066) | - | (7,066) |
| Receipts collected and transmitted to State Treasury | (12,801) | - | (12,801) | - | (12,801) |
| Transfers-out | (2,776) | - | (2,776) | - | (2,776) |
| Total other sources (uses) | 789,891 | - | 789,891 | - | 789,891 |
| Change in fund balance/net assets | (23,258) | (31,106) | (54,364) | 53,726 | (638) |
| Fund balance (deficit)/net assets, July 1, 2011 | 671 | (28,882) | (28,211) | 180,543 | 152,332 |
| Fund balance (deficit)/net assets, June 30, 2012 | \$ (22,587) | \$ (59,988) | \$ (82,575) | \$ 234,269 | \$ 151,694 |

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

State of Illinois
Department of Children and Family Services
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

| | | |
|--|-----------|---------------------|
| Net change in fund balances | \$ | (54,364) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.</p> | | (281) |
| <p>Gains and losses and transfers from capital assets no longer in use are not recorded in governmental funds but are reported as other revenues and expenses in the statement of activities. This is the amount of losses on capital assets in the current period.</p> | | (31) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount represents the increase in unavailable revenue over the prior year.</p> | | 54,056 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Also some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Assets and are therefore not reported as expenses in the Statement of Activities.</p> | | |
| Decrease in compensated absences obligation | | (18) |
| Change in net assets of governmental activities | \$ | <u>(638)</u> |

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

State of Illinois
Department of Children and Family Services

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

| | Private Purpose Trust Funds | Agency Fund Children's Trust Fund 1122 |
|---|--|---|
| ASSETS | | |
| Cash equity with State Treasurer | \$ - | \$ 207 |
| Cash and cash equivalents | 37 | 3,509 |
| Investments | 423 | - |
| Due from other government - federal | - | 479 |
| Total assets | <u>460</u> | <u>\$ 4,195</u> |
| LIABILITIES | | |
| Due to other government - federal | - | \$ 222 |
| Other liabilities | - | 3,973 |
| Total liabilities | <u>-</u> | <u>\$ 4,195</u> |
| NET ASSETS | | |
| Held in trust for: | | |
| Individuals, organizations, and other governments | <u>460</u> | |
| Total net assets | <u>\$ 460</u> | |

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

State of Illinois
Department of Children and Family Services

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | Private Purpose Trust Funds |
|--|--|
| | <hr/> |
| Additions: | |
| Investment earnings: | |
| Interest, dividends and other investment income (loss) | \$ 4 |
| | <hr/> |
| Change in net assets | 4 |
| Net assets, July 1, 2011 | 456 |
| | <hr/> |
| Net assets, June 30, 2012 | \$ 460 |
| | <hr/> <hr/> |

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

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

Notes to Financial Statements

June 30, 2012

(1) Organization

The Department of Children and Family Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Bail Bonds Fund, the Children and Family Benefit Fund, the Children's Trust Fund, the Katherine Schaffner Bequest Fund, and the Herrick House Children's Center Bequest Fund.

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

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

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Children and Family Services, are intended to present the financial position and the changes in financial position of only the portion of the governmental activities, the major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of net assets and governmental funds balance sheet presents the assets and liabilities of the Department's governmental activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year. The fund balances are presented in classifications that comprise a hierarchy based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts can be spent.

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

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

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

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

The Department also administers the following fund types:

Governmental Funds:

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

Fiduciary Funds:

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

Agency – These funds account for transactions related to assets collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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(c) *Measurement Focus and Basis of Accounting*

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

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

Significant revenue sources which are susceptible to accrual include federal grants and interest. All other revenue sources including licenses and fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Revenue Fund represents only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August 31 for fiscal year 2012, in accordance with the Statewide Accounting Management System (SAMS)

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records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This “other financing source” account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued during the 18 month period from July to December of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

(e) *Eliminations*

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

(f) *Cash and Cash Equivalents*

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash equivalents also include cash on hand and petty cash funds.

(g) *Investments*

Investments are reported at fair value. The Department holds investments pursuant to statutory authority for locally-held funds.

(h) *Interfund Transactions and Transactions with State of Illinois Component Units*

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

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

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

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

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

(i) Capital Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

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

(j) Compensated Absences

The liability for compensated absences reported in the government-wide statement of net assets consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated

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based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

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

(k) Fund Balances

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

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

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Restricted fund balances at June 30, 2012, were restricted for health and social services.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the Governor. Those committed amounts cannot be used for any other purpose unless the State legislature and Governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balances at June 30, 2012, were committed for health and social services.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Department for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature. Assigned fund balances at June 30, 2012, were assigned for health and social services.

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

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

(l) Net Assets

In the government-wide statement of net assets, equity is displayed in three components as follows:

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

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

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(m) Use of Estimates

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

(n) New Accounting Pronouncements

Effective for the year ending June 30, 2011 the Department adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications and clarifies the definitions of fund types. There was no significant impact on the Department’s financial statements as a result of adopting this statement.

(o) Future Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Department beginning with its year ending, June 30, 2013. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Department beginning with its year ending June 30, 2013. The objective of this statement is to provide financial reporting guidance for deferred outflows and inflows of resources and to rename the residual measure from “Net Assets” to “Net Position”.

The Department has not yet determined the impact these statements will have on financial reporting.

(3) Deposits and Investments

(a) Deposits

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

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

(b) Investments

As of June 30, 2012, the Department had the following investments outside of the State Treasury:

| | Fair Value (Thousands) | Weighted Average Maturity (Years) |
|---------------------------------|---------------------------------------|--|
| <i>Fiduciary Funds</i> | | |
| Money Market Mutual Funds | \$ 22 | 0.110 |
| Open-ended Equity Mutual Funds | 261 | N/A |
| Open-ended Debt Mutual Funds | 142 | 6.555 |
| Alternative Investments | 20 | N/A |
| Less cash equivalents | (22) | |
| <i>Total Investments</i> | \$ 423 | |

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

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Money Market Mutual Funds, Financial Institution Investment Pool and the Open-ended Debt Mutual Funds were not rated.

(c) *Securities Lending Collateral*

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2012, Deutsche Bank Group lent U.S. Agency Securities, U.S. Treasury Bills, and U.S. Agency Discount Notes and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

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

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 100%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2012 arising from securities lending agreements to the various funds of the State. The total allocated to the Department was \$70 thousand at June 30, 2012.

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DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due from other Department and State of Illinois funds.

| <u>Fund</u> | <u>Due from</u> | | <u>Description/Purpose</u> |
|-----------------------------|---------------------------------------|------------------------------|--|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | |
| General | \$ - | \$ 192 | Due from other State funds for excess advances for reimbursement of grant expenditures to be incurred. |
| Nonmajor governmental Funds | 6 | 200 | Due from other Department and State funds for reimbursement of expenditures incurred. |
| | <u>\$ 6</u> | <u>\$ 392</u> | |

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due to other Department and State of Illinois funds.

| <u>Fund</u> | <u>Due to</u> | | <u>Description/Purpose</u> |
|------------------------------|---------------------------------------|------------------------------|---|
| | <u>Other Department Funds</u> | <u>Other State Funds</u> | |
| General | \$ 6 | \$ 9,866 | Due to State internal service funds for purchases of services and to Department and other State funds for reimbursement of expenditures incurred and transfers to fund mental health programs for children. |
| Non-major governmental funds | - | 528 | Due to State internal service funds for purchases of services and to other State funds for reimbursement of expenditures incurred and for excess advances received for grant expenditures to be incurred. |
| | <u>\$ 6</u> | <u>\$ 10,394</u> | |

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June 30, 2012

(b) Transfers to/from Other Funds

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

| <u>Fund</u> | <u>Transfers out to Other State Funds</u> | <u>Description/Purpose</u> |
|-------------|---|---|
| General | \$ 2,776 | Transfers to other State funds to fund mental health programs for children. |
| | <u>\$ 2,776</u> | |

(c) Balances due to State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

| <u>Component Unit</u> | <u>Due from</u> | |
|----------------------------------|---------------------|---|
| | <u>General Fund</u> | <u>Non-major Governmental Funds</u> |
| Chicago State University | \$ 662 | \$ 3 |
| Governors State University | 1,667 | 323 |
| Northeastern Illinois University | - | 3 |
| Western Illinois University | - | 212 |
| Illinois State University | 26 | 150 |
| Northern Illinois University | 431 | 618 |
| Southern Illinois University | 549 | 1,319 |
| University of Illinois | 1,955 | 1,200 |
| | <u>\$ 5,290</u> | <u>\$ 3,828</u> |

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DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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(7) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2012 were as follows:

| | <u>Balance July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2012</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------|-------------------------------------|------------------|------------------|--------------------------------------|--|
| Governmental activities: | | | | | |
| Compensated absences | \$ 25,000 | \$ 33,484 | \$ 33,502 | \$ 24,982 | \$ 1,250 |

Compensated absences will be liquidated in subsequent years by the applicable governmental funds that account for the salaries and wages of the related employees.

(8) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2012 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.190%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

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DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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(9) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(10) Fund Deficits

The Federal Projects Fund had a deficit fund balance of \$714 thousand at June 30, 2012. The Children's Services fund had a deficit fund balance of \$59,979 thousand at June 30, 2012. The deficits will be eliminated by future recognition of earned but unavailable revenues. At June 30, 2012, earned and unearned revenues were \$714 and \$258,154, expressed in thousands, for the Federal Projects Fund and the Children's Services Fund, respectively.

(11) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; aviation liability; auto liability; workers compensation; and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

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(12) Commitments and Contingencies

(a) Operating leases

The Department leases copiers and other office equipment, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$428 thousand for the year ended June 30, 2012.

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

| Year Ending June 30, | Amount |
|----------------------|--------|
| 2013 | 668 |
| 2014 | 655 |
| 2015 | 326 |

(b) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2012, the Department determined that certain files may not contain complete background check documentation which could result in returning funds received from federal agencies. The Department is currently assessing the extent of this matter and is unable to determine any amount of funds which could be required to be returned to the federal agency as a result.

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

(c) Litigation

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

State of Illinois
Department of Children and Family Services
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2012 (Expressed in Thousands)

| | Special Revenue | | | |
|---|-------------------------------------|----------------------------------|---------------------------------|---|
| | Children's Services Fund 0220 | Federal Projects Fund 0566 | Special Purpose Fund 0582 | Child Abuse Prevention Fund 0934 |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 3,306 | \$ 301 | \$ 333 | \$ 249 |
| Cash and cash equivalents | 289 | - | - | - |
| Securities lending collateral equity with State Treasurer | - | - | - | 70 |
| Due from other government - federal | 258,154 | 714 | - | - |
| Due from other Department funds | - | - | - | - |
| Due from other State funds | 79 | - | 120 | 1 |
| Total assets | \$ 261,828 | \$ 1,015 | \$ 453 | \$ 320 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 54,519 | \$ 270 | \$ 20 | \$ - |
| Intergovernmental payables | 4,973 | 550 | - | - |
| Due to other State funds | 524 | 4 | - | - |
| Due to State of Illinois component units | 3,637 | 191 | - | - |
| Obligation under Securities Lending of State Treasurer | - | - | - | 70 |
| Unavailable revenue | 258,154 | 714 | - | - |
| Deferred revenue | - | - | 38 | - |
| Total liabilities | \$ 321,807 | \$ 1,729 | \$ 58 | \$ 70 |
| FUND BALANCES | | | | |
| Restricted | - | - | 395 | - |
| Committed | - | - | - | 250 |
| Assigned | - | - | - | - |
| Unassigned | (59,979) | (714) | - | - |
| Total fund balances (deficits) | (59,979) | (714) | 395 | 250 |
| Total liabilities and fund balances | \$ 261,828 | \$ 1,015 | \$ 453 | \$ 320 |

State of Illinois
Department of Children and Family Services
Combining Balance Sheet -
Non-major Governmental Funds
 June 30, 2012 (Expressed in Thousands)

| | <u>Special Revenue</u> | | |
|---|---------------------------|--|-------------------|
| | Bail Bond Fund 1119 | Children and Family Benefit Fund 1121 | Total |
| ASSETS | | | |
| Cash equity with State Treasurer | - | - | \$ 4,189 |
| Cash and cash equivalents | 1 | 53 | 343 |
| Securities lending collateral equity with State Treasurer | - | - | 70 |
| Due from other government - federal | - | - | 258,868 |
| Due from other Department funds | - | 6 | 6 |
| Due from other State funds | - | - | 200 |
| Total assets | 1 | 59 | \$ 263,676 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | - | - | \$ 54,809 |
| Intergovernmental payables | - | - | 5,523 |
| Due to other State funds | - | - | 528 |
| Due to State of Illinois component units | - | - | 3,828 |
| Obligation under Securities Lending of State Treasurer | - | - | 70 |
| Unavailable revenue | - | - | 258,868 |
| Deferred revenue | - | - | 38 |
| Total liabilities | - | - | \$ 323,664 |
| FUND BALANCES | | | |
| Restricted | 1 | - | 396 |
| Committed | - | - | 250 |
| Assigned | - | 59 | 59 |
| Unassigned | - | - | (60,693) |
| Total fund balances (deficits) | 1 | 59 | (59,988) |
| Total liabilities and fund balances | 1 | 59 | \$ 263,676 |

State of Illinois
Department of Children and Family Services
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | Special Revenue | | | |
|--|-------------------------------------|----------------------------------|---------------------------------|---|
| | Children's Services Fund 0220 | Federal Projects Fund 0566 | Special Purpose Fund 0582 | Child Abuse Prevention Fund 0934 |
| REVENUES | | | | |
| Federal government | \$ 342,548 | \$ 5,168 | \$ - | \$ - |
| Licenses and Fees | 332 | - | 49 | - |
| Interest and investment income | - | - | - | 1 |
| Other charges for services | 5,244 | - | - | - |
| Other | 28 | - | 528 | 132 |
| Total revenues | 348,152 | 5,168 | 577 | 133 |
| EXPENDITURES | | | | |
| Health and social services | 377,733 | 5,110 | 468 | 196 |
| General government | 1,620 | - | - | - |
| Total expenditures | 379,353 | 5,110 | 468 | 196 |
| Excess (deficiency) of revenues over (under) expenditures | (31,201) | 58 | 109 | (63) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Transfers-in | - | - | - | - |
| Transfers-out | - | - | - | - |
| Net other sources (uses) of financial resources | - | - | - | - |
| Net change in fund balances | (31,201) | 58 | 109 | (63) |
| Fund balances (deficits), July 1, 2011 | (28,778) | (772) | 286 | 313 |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ (59,979) | \$ (714) | \$ 395 | \$ 250 |

State of Illinois
Department of Children and Family Services

**Combining Statement of Revenues,
 Expenditures and Changes in Fund Balance -
 Non-major Governmental Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | Special Revenue | | | |
|--|---------------------------|--|-------|------------|
| | Bail Bond Fund 1119 | Children and Family Benefit Fund 1121 | Total | |
| REVENUES | | | | |
| Federal government | - | - | - | \$ 347,716 |
| Licenses and Fees | - | - | - | 381 |
| Interest and investment income | - | - | - | 1 |
| Other charges for services | - | - | - | 5,244 |
| Other | - | 5 | 5 | 693 |
| Total revenues | - | 5 | 5 | 354,035 |
| EXPENDITURES | | | | |
| Health and social services | - | 14 | 14 | 383,521 |
| General government | - | - | - | 1,620 |
| Total expenditures | - | 14 | 14 | 385,141 |
| Excess (deficiency) of revenues over (under) expenditures | - | (9) | (9) | (31,106) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Transfers-in | - | - | - | - |
| Transfers-out | - | - | - | - |
| Net other sources (uses) of financial resources | - | - | - | - |
| Net change in fund balances | - | (9) | (9) | (31,106) |
| Fund balances (deficits), July 1, 2011 | 1 | 68 | 68 | (28,882) |
| FUND BALANCES (DEFICITS), JUNE 30, 2012 | \$ 1 | \$ 59 | \$ 59 | (59,988) |

State of Illinois

Department of Children and Family Services

**Combining Statement of Fiduciary Net Assets -
Private Purpose Trust Funds**

June 30, 2012 (Expressed in Thousands)

| | Katherine Schaffner Bequest Fund 1117 | Herrick House Children's Center Bequest Fund 1207 | Total |
|---|--|--|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 23 | \$ 14 | \$ 37 |
| Investments | 423 | - | 423 |
| Total assets | <u>446</u> | <u>14</u> | <u>460</u> |
| NET ASSETS | | | |
| Held in trust for: | | | |
| Individuals, organizations, and other governments | 446 | 14 | 460 |
| Total net assets | <u>\$ 446</u> | <u>\$ 14</u> | <u>\$ 460</u> |

State of Illinois
Department of Children and Family Services

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | Katherine Schaffner Bequest Fund 1117 | Herrick House Children's Center Bequest Fund 1207 | Total |
|--|--|---|---------------|
| Additions: | | | |
| Investment earnings: | | | |
| Interest, dividends and other investment income (loss) | \$ 4 | \$ - | \$ 4 |
| Change in net assets | 4 | - | 4 |
| Net assets, July 1, 2011 | 442 | 14 | 456 |
| Net assets, June 30, 2012 | \$ 446 | \$ 14 | \$ 460 |

State of Illinois
Department of Children and Family Services

Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended June 30, 2012 (Expressed in Thousands)

| | Children's Trust Fund (1122) | | | |
|---------------------------------------|-------------------------------------|------------------|-------------------|----------------------------------|
| | Balance July 1, 2011 | Additions | Deductions | Balance June 30, 2012 |
| ASSETS | | | | |
| Cash equity with State Treasurer | \$ 489 | \$ 2,625 | \$ 2,907 | \$ 207 |
| Cash and cash equivalents | 5,975 | 38,759 | 41,225 | 3,509 |
| Due from other government - federal | 411 | 38,775 | 38,707 | 479 |
| Total assets | \$ 6,875 | \$ 80,159 | \$ 82,839 | \$ 4,195 |
| LIABILITIES | | | | |
| Due to other government - federal | \$ 191 | \$ 1,847 | \$ 1,816 | \$ 222 |
| Amounts held on behalf of State Wards | 6,684 | (1,767) | 944 | 3,973 |
| Total liabilities | \$ 6,875 | \$ 80 | \$ 2,760 | \$ 4,195 |

State of Illinois
Department of Children and Family Services

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

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

- . Analysis of Operations (Unaudited)
 - Agency Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - Emergency Purchases (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Schedule of Indirect Cost Reimbursements (Unaudited)

The auditors' report states that the 2012 and 2010 Supplementary Information for State Compliance Purposes has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The auditors' report also states that the 2011 Supplementary Information for State Compliance Purposes and the Analysis of Operations Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on them.

State of Illinois
Department of Children and Family Services

Schedule 1

Schedule of Appropriations, Expenditures, and Lapsed Balances
Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

| | <u>Appropriations (Net After Transfers)</u> | <u>Expenditures Through 6/30/12</u> | <u>Lapse Period Expenditures 7/01/12-8/31/12 (Approximate)</u> | <u>Total Expenditures (Approximate)</u> | <u>Lapsed Balances (Approximate)</u> |
|--|---|---|--|---|--|
| Public Acts 97-0070 & 97-0642 | | | | | |
| APPROPRIATED FUNDS | | | | | |
| GENERAL REVENUE FUND - 0001 | | | | | |
| REGULAR POSITIONS | \$ 212,366,800 | \$ 198,921,859 | \$ 12,209,942 | \$ 211,131,801 | \$ 1,234,999 |
| SOC SEC/MEDICARE CONTRIBUTIONS | 16,216,600 | 14,795,374 | 918,069 | 15,713,443 | 503,157 |
| CONTRACTUAL SERVICES | 29,938,100 | 19,617,454 | 7,717,000 | 27,334,454 | 2,603,646 |
| TRAVEL | 6,431,100 | 4,956,976 | 1,167,972 | 6,124,948 | 306,152 |
| COMMODITIES | 245,300 | 149,544 | 65,840 | 215,384 | 29,916 |
| PRINTING | 250,200 | 119,955 | 89,961 | 209,916 | 40,284 |
| EQUIPMENT | 5,000 | 137 | 547 | 684 | 4,316 |
| ELECTRONIC DATA PROCESSING | 2,385,000 | 2,203,982 | 128,334 | 2,332,316 | 52,684 |
| TELECOMMUNICATION | 5,207,400 | 3,290,337 | 1,430,704 | 4,721,041 | 486,359 |
| OPERATION OF AUTO EQUIPMENT | 35,000 | 24,382 | - | 24,382 | 10,618 |
| AWARDS & GRANTS - LUMP SUM | 515,191,900 | 506,535,472 | 7,530,952 | 514,066,424 | 1,125,476 |
| AWARDS AND GRANTS | 12,656,700 | 9,763,391 | 2,503,034 | 12,266,425 | 390,275 |
| LUMP SUMS AND OTHER PURPOSES | 10,206,000 | 4,898,804 | 5,099,630 | 9,998,434 | 207,566 |
| LUM SUM, OPERATIONS | 529,700 | 451,227 | 31,448 | 482,675 | 47,025 |
| AWARDS AND GRANTS TO STUDENTS | 809,500 | 800,092 | 7,536 | 807,628 | 1,872 |
| TORT CLAIMS | 50,000 | 28,409 | - | 28,409 | 21,591 |
| REFUNDS | 9,800 | 5,763 | 4,037 | 9,800 | - |
| Subtotal Fund 0001 | \$ 812,534,100 | \$ 766,563,158 | \$ 38,905,006 | \$ 805,468,164 | \$ 7,065,936 |

(CONTINUED)

State of Illinois
 Department of Children and Family Services
 Schedule 1
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

| Public Acts 97-0070 & 97-0642 | Appropriations (Net After Transfers) | Expenditures Through 6/30/12 | Lapse Period Expenditures 7/01/12-8/31/12 (Approximate) | Total Expenditures (Approximate) | Lapsed Balances (Approximate) |
|---|--|------------------------------------|--|--|-------------------------------------|
| DCFS CHILDREN'S SERVICES FUND - 0220 | | | | | |
| AWARDS & GRANTS - LUMP SUM | \$ 381,363,000 | \$ 284,876,235 | \$ 54,120,986 | \$ 338,997,221 | \$ 42,365,779 |
| LUMP SUMS AND OTHER PURPOSES | 38,412,500 | 24,812,443 | 1,977,509 | 26,789,952 | 11,622,548 |
| AWARDS & GRANTS | 16,217,900 | 9,793,376 | 3,226,144 | 13,019,520 | 3,198,380 |
| TORT CLAIMS | 2,800,000 | 105,000 | 250,000 | 355,000 | 2,445,000 |
| Subtotal Fund 0220 | \$ 438,793,400 | \$ 319,587,054 | \$ 59,574,639 | \$ 379,161,693 | \$ 59,631,707 |
| DCFS FEDERAL PROJECTS FUND - 0566 | | | | | |
| LUMP SUMS AND OTHER PURPOSES | \$ 7,722,500 | \$ 4,387,071 | \$ 726,015 | \$ 5,113,086 | \$ 2,609,414 |
| Subtotal Fund 0566 | \$ 7,722,500 | \$ 4,387,071 | \$ 726,015 | \$ 5,113,086 | \$ 2,609,414 |
| DCFS SPECIAL PURPOSE TRUST FUND - 0582 | | | | | |
| LUMP SUMS AND OTHER PURPOSES | \$ 689,100 | \$ 445,572 | \$ 19,777 | \$ 465,349 | \$ 223,751 |
| Subtotal Fund 0582 | \$ 689,100 | \$ 445,572 | \$ 19,777 | \$ 465,349 | \$ 223,751 |

(CONTINUED)

State of Illinois
 Department of Children and Family Services
 Schedule 1
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

| | Appropriations (Net After <u>Transfers</u>) | Expenditures Through <u>6/30/12</u> | Lapse Period Expenditures 7/01/12-8/31/12 (<u>Approximate</u>) | Total Expenditures (<u>Approximate</u>) | Lapsed Balances (<u>Approximate</u>) |
|---|--|---|---|---|--|
| Public Acts 97-0070 & 97-0642 | | | | | |
| CHILD ABUSE PREVENTION FUND - 0934 | | | | | |
| AWARDS & GRANTS - LUMP SUM | \$ 500,000 | \$ 195,900 | \$ - | \$ 195,900 | \$ 304,100 |
| Subtotal Fund 0934 | \$ 500,000 | \$ 195,900 | \$ - | \$ 195,900 | \$ 304,100 |
| TOTAL - ALL APPROPRIATED FUNDS | \$ 1,260,239,100 | \$ 1,091,178,755 | \$ 99,225,437 | \$ 1,190,404,192 | \$ 69,834,908 |

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Department and submitted to the State Comptroller for payment after August.

State of Illinois
Department of Children and Family Services

Schedule 2

Schedule of Appropriations, Expenditures, and Lapsed Balances
Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

| Public Acts 96-0956 & 96-0959 | Appropriations (Net After Transfers) | Expenditures Through 6/30/11 | Lapse Period Expenditures 7/01/11-12/31/11 | Total Expenditures | Balances Lapsed |
|---|--|------------------------------------|--|-----------------------|----------------------|
| APPROPRIATED FUNDS | | | | | |
| GENERAL REVENUE FUND - 0001 | | | | | |
| LUMP SUMS AND OTHER PURPOSES | \$ 581,858,800 | \$ 552,455,263 | \$ 24,246,792 | \$ 576,702,055 | \$ 5,156,745 |
| LUM SUM, OPERATIONS | 264,681,900 | 238,387,598 | 24,582,736 | 262,970,334 | 1,711,566 |
| | Subtotal Fund 0001 | \$ 846,540,700 | \$ 790,842,861 | \$ 839,672,389 | \$ 6,868,311 |
| DCFS CHILDREN'S SERVICES FUND - 0220 | | | | | |
| AWARDS & GRANTS - LUMP SUM | \$ 361,369,600 | \$ 293,920,300 | \$ 32,030,590 | \$ 325,950,890 | \$ 35,418,710 |
| LUMP SUMS AND OTHER PURPOSES | 38,412,500 | 26,048,083 | 2,266,109 | 28,314,192 | 10,098,308 |
| AWARDS & GRANTS | 16,217,900 | 9,868,828 | 3,467,449 | 13,336,277 | 2,881,623 |
| TORT CLAIMS | 2,800,000 | 35,000 | - | 35,000 | 2,765,000 |
| | Subtotal Fund 0220 | \$ 418,800,000 | \$ 329,872,211 | \$ 367,636,359 | \$ 51,163,641 |
| DCFS FEDERAL PROJECTS FUND - 0566 | | | | | |
| LUMP SUMS AND OTHER PURPOSES | \$ 8,067,600 | \$ 4,000,187 | \$ 679,952 | \$ 4,680,139 | \$ 3,387,461 |
| | Subtotal Fund 0566 | \$ 8,067,600 | \$ 4,000,187 | \$ 4,680,139 | \$ 3,387,461 |

(CONTINUED)

State of Illinois
 Department of Children and Family Services
 Schedule 2

Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

| Public Acts 96-0956 & 96-0959 | Appropriations (Net After Transfers) | Expenditures Through 6/30/11 | Lapse Period Expenditures 7/01/11-12/31/11 | Total Expenditures | Balances Lapsed |
|---|--|------------------------------------|--|-------------------------|----------------------|
| DCFS SPECIAL PURPOSE TRUST FUND - 0582 | | | | | |
| LUMP SUMS AND OTHER PURPOSES | \$ 344,000 | \$ 315,582 | \$ 5,446 | \$ 321,028 | \$ 22,972 |
| | Subtotal Fund 0582 | \$ 344,000 | \$ 315,582 | \$ 321,028 | \$ 22,972 |
| CHILD ABUSE PREVENTION FUND - 0934 | | | | | |
| AWARDS & GRANTS - LUMP SUM | \$ 600,000 | \$ 200,000 | \$ - | \$ 200,000 | \$ 400,000 |
| | Subtotal Fund 0934 | \$ 600,000 | \$ - | \$ 200,000 | \$ 400,000 |
| TOTAL - ALL APPROPRIATED FUNDS | \$ 1,274,352,300 | \$ 1,125,230,841 | \$ 87,279,074 | \$ 1,212,509,915 | \$ 61,842,385 |

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

State of Illinois
Department of Children and Family Services

Schedule 3

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
For the Fiscal Years Ended June 30, 2012, 2011, and 2010

| | Fiscal Year | | |
|---|------------------------------|------------------------------|------------------------------|
| | 2012 | 2011 | 2010 |
| | P.A. 97-0070 P.A. 97-0642 | P.A. 96-0956 P.A. 96-0959 | P.A. 96-0042 P.A. 96-0046 |
| GENERAL REVENUE FUND - 0001 | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | \$ 812,534,100 | \$ 846,540,700 | \$ 864,951,800 |
| REGULAR POSITIONS | \$ 211,131,801 | \$ - | \$ - |
| SOC SEC/MEDICARE CONTRIBUTIONS | 15,713,443 | - | - |
| CONTRACTUAL SERVICES | 27,334,454 | - | - |
| TRAVEL | 6,124,948 | - | - |
| COMMODITIES | 215,384 | - | - |
| PRINTING | 209,916 | - | - |
| EQUIPMENT | 684 | - | - |
| ELECTRONIC DATA PROCESSING | 2,332,316 | - | - |
| TELECOMMUNICATION | 4,721,041 | - | - |
| OPERATION OF AUTO EQUIPMENT | 24,382 | - | - |
| AWARDS & GRANTS - LUMP SUM | 514,066,424 | - | - |
| AWARDS AND GRANTS | 12,266,425 | - | - |
| LUMP SUMS AND OTHER PURPOSES | 9,998,434 | 576,702,055 | - |
| LUM SUM, OPERATIONS | 482,675 | 262,970,334 | - |
| AWARDS AND GRANTS TO STUDENTS | 807,628 | - | - |
| TORT CLAIMS | 28,409 | - | - |
| REFUNDS | 9,800 | - | - |
| LUMP SUMS: | - | - | - |
| PERSONAL SERVICES - NONBARGAINING UNIT (NB) | - | - | 11,626,815 |
| PERSONAL SERVICES - BARGAINING UNIT (BU) | - | - | 188,225,021 |
| SOC SEC/MEDICARE CONTRIBUTIONS - NB | - | - | 860,913 |
| SOC SEC/MEDICARE CONTRIBUTIONS - BU | - | - | 13,980,978 |
| OPERATIONAL EXPENSES, AWARDS | - | - | 312,420,150 |
| OPERATIONAL EXPENSES | - | - | 45,475,345 |
| GOVERNORS DISCRETIONARY APPROPRIATION | - | - | 271,871,707 |
| TOTAL APPROPRIATED EXPENDITURES | <u>\$ 805,468,164</u> | <u>\$ 839,672,389</u> | <u>\$ 844,460,929</u> |
| LAPSED BALANCES | <u>\$ 7,065,936</u> | <u>\$ 6,868,311</u> | <u>\$ 20,490,871</u> |
| DCFS CHILDREN'S SERVICES FUND - 0220 | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | \$ 438,793,400 | \$ 418,800,000 | \$ 417,432,700 |
| AWARDS & GRANTS - LUMP SUM | \$ 338,997,221 | \$ 325,950,890 | \$ - |
| LUMP SUMS AND OTHER PURPOSES | 26,789,952 | 28,314,192 | - |
| AWARDS AND GRANTS | 13,019,520 | 13,336,277 | - |
| COUNSELING & AUXILIARY SERVICE | - | - | 9,031,612 |
| CHILDREN'S PERSONAL & PHYSICAL MAINTENANCE | - | - | 2,451,055 |

(CONTINUED)

State of Illinois
Department of Children and Family Services

Schedule 3

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
For the Fiscal Years Ended June 30, 2012, 2011, and 2010

| | Fiscal Year | | |
|---|------------------------------|------------------------------|------------------------------|
| | 2012 | 2011 | 2010 |
| | P.A. 97-0070 P.A. 97-0642 | P.A. 96-0956 P.A. 96-0959 | P.A. 96-0042 P.A. 96-0046 |
| DCFS CHILDREN'S SERVICES FUND - 0220 (CONTINUED) | | | |
| PURCHASE CHILDREN'S SERVICES | - | - | 1,311,930 |
| CASH ASSISTANCE & HOUSING LOCATOR SERVICES | - | - | 1,960,623 |
| ASSIST DEV CHILD ADVOCACY CENTER | - | - | 1,398,200 |
| FAMILY PRESERVATION SERVICES | - | - | 15,914,423 |
| FAMILY CENTERED SERVICES INITIATIVE | - | - | 15,239,045 |
| FOSTER HOMES & SPECIALIED FOSTER CARE | - | - | 120,182,500 |
| PURCHASE OF ADOPT & GUARDIANSHIP SERVICES | - | - | 81,065,894 |
| INSTITUTION & GROUP HOME CARE & PREV | - | - | 83,230,552 |
| FOSTER CARE INITIATIVE | - | - | 1,052,067 |
| INDEPENDENT LIVING INITIATIVE | - | - | 8,457,184 |
| TITLE IV-E REIMBURSEMENT ENHANCEMENT | - | - | 3,415,826 |
| SSI REIMBURSEMENT | - | - | 1,171,316 |
| AFCARS/SACWIS INFORMATION SYSTEMS | - | - | 15,380,138 |
| TORT CLAIMS | 355,000 | 35,000 | 5,575,000 |
| TITLE IV-E REIMBURSEMENTS - COUNTIES | - | - | 1,380,275 |
| FOSTER & ADOPTION CARE TRAINING | - | - | 11,480,942 |
| TOTAL APPROPRIATED EXPENDITURES | <u>\$ 379,161,693</u> | <u>\$ 367,636,359</u> | <u>\$ 379,698,582</u> |
| LAPSED BALANCES | <u>\$ 59,631,707</u> | <u>\$ 51,163,641</u> | <u>\$ 37,734,118</u> |
| DCFS FEDERAL PROJECTS FUND - 0566 | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | <u>\$ 7,722,500</u> | <u>\$ 8,067,600</u> | <u>\$ 8,067,600</u> |
| FEDERAL CHILD WELFARE PROJECTS | \$ - | \$ - | \$ 228,004 |
| FED CHILD PROTECTION PROJECTS | - | - | 3,629,013 |
| LUMP SUMS AND OTHER PURPOSES | <u>5,113,086</u> | <u>4,680,139</u> | <u>-</u> |
| TOTAL APPROPRIATED EXPENDITURES | <u>\$ 5,113,086</u> | <u>\$ 4,680,139</u> | <u>\$ 3,857,017</u> |
| LAPSED BALANCES | <u>\$ 2,609,414</u> | <u>\$ 3,387,461</u> | <u>\$ 4,210,583</u> |
| DCFS SPECIAL PURPOSE TRUST FUND - 0582 | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | <u>\$ 689,100</u> | <u>\$ 344,000</u> | <u>\$ 344,000</u> |
| CHILD WELFARE IMPROVEMENTS | \$ - | \$ - | \$ 71,051 |

(CONTINUED)

State of Illinois
Department of Children and Family Services

Schedule 3

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
For the Fiscal Years Ended June 30, 2012, 2011, and 2010

| | Fiscal Year | | |
|---|------------------------------|------------------------------|------------------------------|
| | 2012 | 2011 | 2010 |
| | P.A. 97-0070 P.A. 97-0642 | P.A. 96-0956 P.A. 96-0959 | P.A. 96-0042 P.A. 96-0046 |
| DCFS SPECIAL PURPOSE TRUST FUND - 0582 (CONTINUED) | | | |
| LUMP SUMS AND OTHER PURPOSES | 465,349 | 321,028 | - |
| TOTAL APPROPRIATED EXPENDITURES | \$ 465,349 | \$ 321,028 | \$ 71,051 |
| LAPSED BALANCES | \$ 223,751 | \$ 22,972 | \$ 272,949 |
| CHILD ABUSE PREVENTION FUND - 0934 | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | \$ 500,000 | \$ 600,000 | \$ 600,000 |
| CHILD ABUSE PREVENTION | \$ - | \$ - | \$ 200,000 |
| AWARDS AND GRANTS - LUMP SUM | 195,900 | 200,000 | - |
| TOTAL APPROPRIATED EXPENDITURES | \$ 195,900 | \$ 200,000 | \$ 200,000 |
| LAPSED BALANCES | \$ 304,100 | \$ 400,000 | \$ 400,000 |
| GRAND TOTAL - ALL APPROPRIATED FUNDS | | | |
| APPROPRIATIONS (NET AFTER TRANSFERS) | \$ 1,260,239,100 | \$ 1,274,352,300 | \$ 1,291,396,100 |
| TOTAL APPROPRIATED EXPENDITURES | \$ 1,190,404,192 | \$ 1,212,509,915 | \$ 1,228,287,579 |
| LAPSED BALANCES | \$ 69,834,908 | \$ 61,842,385 | \$ 63,108,521 |
| GENERAL REVENUE FUND (0001) - STATE COMPTROLLER OFFICER SALARIES | | | |
| DIRECTOR SALARY | \$ 150,296 | \$ 143,321 | \$ 150,228 |

Note: Fiscal year 2012 and fiscal year 2010 expenditures and related lapse balances do not reflect any interest payments approved and submitted to the State Comptroller for payment after August.

State of Illinois
Department of Children and Family Services

Schedule 4

Schedule of Changes in State Property
For the Fiscal Years Ended June 30, 2012 and 2011
(Amounts Expressed in Thousands)

| | <u>2012</u> | <u>2011</u> |
|------------------------------|-------------------------|-------------------------|
| Balance at beginning of year | \$ <u>17,363</u> | \$ <u>19,132</u> |
| Additions: | | |
| Through June 30 | 10,919 | 682 |
| Lapse period estimate | <u>0</u> | <u>0</u> |
| Total Additions | <u>10,919</u> | <u>682</u> |
| Deletions: | | |
| Through June 30 | 984 | 2,447 |
| Lapse period estimate | <u>0</u> | <u>4</u> |
| Total Deletions | <u>984</u> | <u>2,451</u> |
| Balance at end of the year | \$ <u><u>27,298</u></u> | \$ <u><u>17,363</u></u> |

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

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

State of Illinois
Department of Children and Family Services

Schedule 5

Comparative Schedule of Cash Receipts
For the Fiscal Years Ended June 30, 2012, 2011, and 2010
(Amounts Expressed in Dollars)

| | 2012 | 2011 | 2010 |
|--|-----------------------|-----------------------|-----------------------|
| General Revenue Fund - 0001 | | | |
| Child welfare | \$ 11,916,667 | \$ 14,083,333 | \$ 13,000,000 |
| Miscellaneous | 71,563 | 71,828 | 191,783 |
| Parental contributions for care and maintenance of children | 24,817 | 15,085 | 23,796 |
| | \$ 12,013,047 | \$ 14,170,246 | \$ 13,215,579 |
| DCFS Children's Services Fund - 0220 | | | |
| Federal Government | \$ 345,577,784 | \$ 338,971,116 | \$ 308,927,034 |
| Miscellaneous | 967,489 | 12,894 | 74,076 |
| Reimbursement from Children's Trust | 5,717,267 | 5,113,668 | 3,756,517 |
| | \$ 352,262,540 | \$ 344,097,678 | \$ 312,757,627 |
| DCFS Federal Projects Fund - 0566 | | | |
| Federal Government - DHHS | \$ 4,773,100 | \$ 3,834,742 | \$ 3,956,724 |
| Private organizations or individuals | 247,969 | 37,637 | - |
| Federal monies via Illinois Department of Public Health | - | 636,344 | 108,852 |
| | \$ 5,021,069 | \$ 4,508,723 | \$ 4,065,576 |
| DCFS Special Purpose Trust Fund - 0582 | | | |
| Private organizations or individuals | \$ 527,980 | \$ 250,000 | \$ 150,000 |
| Putative Father Fees | 49,160 | 51,860 | 54,960 |
| Public Health-GRF | 102,000 | 113,001 | 10,000 |
| | \$ 679,140 | \$ 414,861 | \$ 214,960 |
| TOTAL DEPARTMENT RECEIPTS | \$ 369,975,796 | \$ 363,191,508 | \$ 330,253,742 |

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

Schedule 6

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
For the Fiscal Years Ended June 30, 2012 and 2011
(Amounts Expressed in Dollars)

| | 2012 | | | | |
|--|------------------------------------|--|---|---|-----------------------|
| | 0001 General Revenue Fund | 0220 DCFS Children's Services Fund | 0566 DCFS Federal Projects Fund | 0582 DCFS Special Purpose Trust Fund | Total All Funds |
| Cash Receipts and Transfers per DCFS | \$ 12,013,047 | \$ 352,262,540 | \$ 5,021,069 | \$ 679,140 | \$ 369,975,796 |
| Prior year and other adjustments | 788,037 | (79,365,112) | 6,751 | (102,000) | (78,672,324) |
| Receipts in transit at June 30, 2011 | - | - | - | - | - |
| Receipts in transit at June 30, 2012 | - | - | - | - | - |
| Cash Receipts and Transfers per Comptroller (SB04 report) | <u>\$ 12,801,084</u> | <u>\$ 272,897,428</u> | <u>\$ 5,027,820</u> | <u>\$ 577,140</u> | <u>\$ 291,303,472</u> |
| | 2011 | | | | |
| | 0001 General Revenue Fund | 0220 DCFS Children's Services Fund | 0566 DCFS Federal Projects Fund | 0582 DCFS Special Purpose Trust Fund | Total All Funds |
| Cash Receipts and Transfers per DCFS | \$ 14,170,246 | \$ 344,097,678 | \$ 4,508,723 | \$ 414,861 | \$ 363,191,508 |
| Prior year and other adjustments | 831,161 | (97,230,291) | 99 | - | (96,399,031) |
| Receipts in transit at June 30, 2010 | - | - | - | - | - |
| Receipts in transit at June 30, 2011 | - | - | - | - | - |
| Cash Receipts and Transfers per Comptroller (SB04 report) | <u>\$ 15,001,407</u> | <u>\$ 246,867,387</u> | <u>\$ 4,508,822</u> | <u>\$ 414,861</u> | <u>\$ 266,792,477</u> |

**State of Illinois
Department of Children and Family Services**

Schedule 7

**Analysis of Significant Variations in Expenditures
For the Fiscal Years Ended June 30, 2012, 2011 and 2010**

The following explanations of significant variations were prepared by Department of Children and Family Services (Department) management and are presented for additional analysis purposes only. Explanations were obtained for expenditures with a variance of at least 20% and \$250,000 between fiscal years.

General Revenue Fund 0001

In fiscal year 2010, the Department received a lump sum appropriation in the General Revenue Fund for operational expenses with specific amounts appropriated for Personal Services and Social Security and State contributions. In fiscal year 2011, the Department received a lump sum appropriation in the General Revenue Fund for operational expenses that included the Personal Services and Social Security and State contribution amounts. In fiscal year 2012, the appropriation process was changed and appropriations were designated for specific purposes in the General Revenue Fund. Fiscal years 2012 and 2011 total spending in the General Revenue Fund is comparable to the total spending in fiscal years 2011 and 2010 respectively. The overall decrease from fiscal year 2010 to 2011 was 1% and the decrease from fiscal year 2011 to 2012 was 9%. This did not fall within the above definition of a significant variation.

DCFS Federal Projects Fund 0566

In fiscal year 2010, the Department received two appropriations (Federal Child Welfare Projects and Federal Child Protection Projects). In fiscal year 2011, the Department received a single appropriation in this fund for lump sums and other purposes.

DCFS Special Purpose Trust Fund 0582

Lump Sum and Other Purposes

For fiscal years 2012 and 2011, the Department received a “lump sums and other purposes” appropriation rather than the 2010 appropriation, Child Welfare Improvements. Therefore, there was no spending in fiscal years 2012 and 2011 from the Child Welfare Improvements line. Expenditures increased 39% from fiscal year 2011 to 2012 mainly due to a payment decrease of \$74,078 paid in salaries out of this fund in fiscal year 2011 and an increase of \$207,288 paid in fiscal year 2012 to Chicago State University for evidence-based trauma focus training at Chicago State University as part of the Learning Collaborative methodologies, which is a joint collaborative effort involving DCFS, Northwestern University and Chicago State University.

State of Illinois
Department of Children and Family Services

Schedule 8

Analysis of Significant Variations in Receipts
For the Fiscal Years Ended June 30, 2012, 2011 and 2010

The following explanations of significant variations were prepared by Department of Children and Family Services (Department) management and are presented for additional analysis purposes only. Explanations were obtained for receipts with a variance of at least 20% and \$250,000 between fiscal years.

DCFS Special Purpose Trust Fund 0582

Fund 0582 receipts increased 64% in fiscal year 2012. This increase was due to the receipt of a portion of the new Casey Family Program Grant in fiscal year 2011, while the majority of the grant was received in fiscal year 2012. Additionally, in fiscal year 2012 there was a reimbursement for interfund borrowing.

State of Illinois
Department of Children and Family Services

Schedule 9

Analysis of Significant Lapse Period Spending
For the Fiscal Years Ended June 30, 2012 and 2011

The following explanations of significant lapse spending were prepared by Department of Children and Family Services management and are presented for additional analysis purposes only. Explanations were obtained for lapse expenditures exceeding \$100,000 and 20% of total fiscal year expenditure by fund and line item, as detailed below:

Fiscal Year 2012

General Revenue Fund 0001

Contractual Services

Approximately 28% of total expenditures were paid during the lapse period in fiscal year 2012. The majority of lapse spending is for invoices that are inherently delayed due to the nature and the timing of billing (University contracts, CMS facilities management revolving fund, CMS statistical services revolving fund, and June monthly services).

Telecommunications

Approximately 30% of total expenditures were paid during the lapse period in fiscal year 2012. This is due to billings that are inherently delayed due to the nature and timing of the billing (CMS telecommunication revolving fund).

Lump Sum and Other Purposes

Approximately 49% of the total expenditures were paid during lapse period in fiscal year 2012. This is due to June payroll and overtime not processed until after June 30 and billings that are inherently delayed due to the nature and timing of billing (CMS facilities management, CMS telecommunications revolving fund, and University contracts).

DCFS Children's Services Fund 0220

Awards and Grants

Approximately 26% of the total expenditures were paid during lapse period in fiscal year 2012. This is due to a legal settlement in June which could not be processed until lapse and billings that are inherently delayed due to the nature and timing of billing (University contracts).

Fiscal Year 2011

None of the Department's fiscal year 2011 line item lapse period spending exceeded \$100,000 and 20%.

State of Illinois
Department of Children and Family Services

Schedule 10

Analysis of Accounts Receivable
June 30, 2012 and 2011
(Amounts Expressed in Thousands)

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

(Per Department records)

| General Revenue Fund (0001) | 2012 | 2011 |
|------------------------------------|----------|----------|
| Parental accounts receivable | \$ 82 | \$ 118 |
| Less: allowance for uncollectibles | 61 | 115 |
| | 21 | 3 |
| Board accounts receivable | 3,870 | 6,260 |
| Less: allowance for uncollectibles | 2,166 | 2,800 |
| | 1,704 | 3,460 |
| Accounts Receivable, Net | \$ 1,725 | \$ 3,463 |

| 2012 Aging of Receivables | 0 - 60 Days | Over 60 Days | Total |
|------------------------------|----------------|-----------------|----------|
| Parental accounts receivable | \$ - | \$ 82 | \$ 82 |
| Board accounts receivable | \$ 870 | \$ 3,000 | \$ 3,870 |

| 2011 Aging of Receivables | 0 - 60 Days | Over 60 Days | Total |
|------------------------------|----------------|-----------------|----------|
| Parental accounts receivable | \$ - | \$ 118 | \$ 118 |
| Board accounts receivable | \$ 990 | \$ 5,270 | \$ 6,260 |

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

**State of Illinois
Department of Children and Family Services**

**Agency Functions and Planning Program (Unaudited)
For the Fiscal Years Ended June 30, 2012 and 2011**

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 and family support, remedying family problems that place children at risk of being removed from their homes, providing children with a safe, nurturing environment when out-of-home placement is needed, and when appropriate, placing children in suitable adoptive homes.

The Department's mission is based upon the conviction that children must have a consistent nurturing environment to achieve optimal growth and development. Permanency goals are established for each child in the Department's care that reflects the individual needs of each child and family. During service provision, a child's goal may be remaining at home, returning home, adoption, permanent family placement, independence or 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. The Department's director is Richard Calica. Mr. Calica's offices are located at 406 East Monroe Street, Springfield, Illinois and 6th Floor, James R. Thompson Center, 100 W. Randolph, Chicago, Illinois.

Protective Services

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

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 Healthcare and Family Services, 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.

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, monthly subsidy payments and a Medicaid card. Payment for services to address physical, emotional and mental health needs for pre-existing conditions, not payable through other sources, may be provided in accordance with the subsidy through post-adoption services.

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.

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

The Department's most recent CFSP covers 2010-2014 and includes those objectives, action steps and activities that the Department plans to implement during the federal fiscal years 2010-2014. For those objectives identified, the Department develops the measures and baseline for annually reporting its progress in an Annual Progress and Services Report (APSR). Prior to developing the APSR every year, the Department considers the action steps to meet the objectives with needs assessment information.

The planning cycle is coordinated with the budgeting cycle so the Department's stated goals and priorities provide direction in the allocation of resources. The Department recently completed a statewide evaluation of the Department's organization structure and functions as a part of its FY13 reorganizational plan. Guided by the evaluation and the Director's statement of priorities, projections of service needs and performance objectives, fiscal planners in the Department coordinate operating units in preparing the Department's budget and reviewing it with Governor's Office of Management and Budget.

State of Illinois
Department of Children and Family Services

Average Number of Employees (Unaudited)
For the Fiscal Years Ended June 30, 2012, 2011 and 2010

The following information was developed through analysis of headcount schedules.

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|--------------|--------------|--------------|
| Child welfare | 1,163 | 786 | 1,266 |
| Child protection | 570 | 1,059 | 847 |
| Purchase of service monitoring | 363 | 350 | 315 |
| Budget and finance | 165 | 154 | 107 |
| Central administration | 163 | 140 | 104 |
| Administrative case review | 89 | 69 | 71 |
| Office of the guardian | 64 | 58 | 53 |
| Clinical services | 61 | 82 | 44 |
| AFCAR/SACWIS | 57 | 44 | 42 |
| Quality assurance | 50 | 35 | 28 |
| Title IV-E reimbursements | 36 | 23 | 23 |
| Inspector general | 24 | 19 | 19 |
| Targeted case management | 21 | 41 | 11 |
| Shared services | 19 | - | 10 |
| Foster care/adoption training | 7 | 6 | 7 |
| Attorney general CW litigation | 5 | 7 | 7 |
| Foster care initiative | 4 | 14 | 5 |
| Independent living initiative | 2 | 4 | 5 |
| Children's Justice Act | 1 | 3 | 3 |
| Health care network | 1 | 2 | 1 |
| | <u>2,865</u> | <u>2,896</u> | <u>2,968</u> |

State of Illinois
Department of Children and Family Services

Emergency Purchases (Unaudited)
For the Fiscal Years Ended June 30, 2012 and 2011

| Fiscal Year | Vendor | Description | Estimated | Actual Cost |
|-------------|--------------------------|---|-----------|-------------|
| 2011 | Asmicus Court Reporters | Maintain existing services to comply with statutes and mandates governing Administrative hearings while competitive solicitation is completed. | \$ 50,000 | \$ 35,990 |
| 2011 | Ace Worldwide Movers | Immediate need to relocate all units within Budget & Finance Division due to the master contract vendor not being able to provide services during the time period needed. | 75,000 | 73,905 |
| 2011 | Northwestern University | Immediate need to continue services directly affecting placement of children in agency care. | 522,514 | 450,896 |
| 2011 | Chrysalis Consulting Co. | Immediate need to continue services in process of maintaining and transferring a centralized database. | 542,659 | 542,659 |
| 2012 | HOV Services | Records management increase scope through January 31, 2011 | 90,000 | 63,779 |
| 2012 | HOV Services | Records management increase scope through March 31, 2011 | 42,000 | 28,879 |
| 2012 | HOV Services | Records management increase scope through June 30, 2011 | 140,000 | 137,705 |

State of Illinois
Department of Children and Family Services

Service Efforts and Accomplishments
(Unaudited)

(Dollars in Thousands)

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

The mission of the Department is to: 1) protect children who are reported to be abused and neglected and to increase their families' capacity to safely care for them, 2) provide for the well-being of children in its care, 3) provide appropriate, permanent families as quickly as possible for those children who cannot safely return home, 4) support early intervention and child abuse prevention activities, 5) work in partnership with communities to fulfill this mission.

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

The Department's major program areas are as follows:

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

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

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

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

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

State of Illinois
Department of Children and Family Services

Service Efforts and Accomplishments
(Unaudited)

(Dollars in Thousands)

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

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

Program Goals:
Objectives:

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

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, DCFS Special Purposes Trust Fund **Statutory Authority:** Children & Family Services Act

| | <u>Fiscal Year 2010 Actual</u> | <u>Fiscal Year 2011 Actual</u> | <u>Fiscal Year 2012 Target /Projected</u> | <u>Fiscal Year 2012 Actual</u> | <u>Fiscal Year 2013 Target /Projected (a)</u> |
|---|------------------------------------|------------------------------------|---|------------------------------------|---|
| <u>Input Indicators</u> | | | | | |
| ● Total expenditures - all sources (in thousands) | \$ 721,074.7 | \$ 704,469.4 | \$ 743,178.7 | \$ 689,098.8 | \$ 711,703.8 |
| ● Total expenditures - state appropriated funds (in thousands) | \$ 721,074.7 | \$ 704,469.4 | \$ 743,178.7 | \$ 689,098.8 | \$ 711,703.8 |
| ● Average monthly full-time equivalents | 942.0 | 871.0 | 930.0 | 875.0 | 904.0 |
| <u>Output Indicators</u> | | | | | |
| ● Children in independent living | 816.0 | 775.0 | 832.0 | 761.0 | 800.0 |
| ● Children in regular foster care | 4,132 | 4,191 | 4,278 | 4,018 | 4,042 |
| ● Children in relative care | 6,150 | 6,216 | 6,437 | 6,131 | 6,086 |
| ● Children in residential placements | 1,394 | 1,378 | 1,422 | 1,353 | 1,340 |
| ● Children in specialized foster care | 3,017 | 2,999 | 3,128 | 2,881 | 2,808 |
| ● Children with "return home" goal | 7,327 | 7,215 | 6,931 | 6,979 | 7,029 |
| ● Children placed outside home (end of year) - paid placements | 15,509 | 15,559 | 16,097 | 15,142 | 15,076 |
| <u>Outcome Indicators</u> | | | | | |
| ● Child cases closed | 5,587 | 5,715 | 5,744 | 6,375 | 6,137 |
| ● Percentage of children returned home | 16.9% | 16.8% | 16.9% | 16.7% | 16.6% |
| ● Percentage of children served within the year moved to permanency | 30.8% | 28% | 29% | 31.8% | 30% |
| ● Percentage of sibling groups placed all or partially together | 83.6% | 82.3% | 82.9% | 82.3% | 82.9% |
| ● Number of children returned home | 2,297 | 2,237 | 2,261 | 2,239 | 2,158 |
| ● Median length of time open for children in substitute care (yrs) | 2.1 | 2.2 | 2.1 | 2.1 | 2.1 |

State of Illinois
Department of Children and Family Services

Service Efforts and Accomplishments
(Unaudited)

(Dollars in Thousands)

Department of Children and Family Services - Adoption and Guardianship

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

Program Goals:

Objectives:

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

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

Statutory Authority: Children & Family Services Act

| | <u>Fiscal Year 2010 Actual</u> | <u>Fiscal Year 2011 Actual</u> | <u>Fiscal Year 2012 Target /Projected</u> | <u>Fiscal Year 2012 Actual</u> | <u>Fiscal Year 2013 Target /Projected (a)</u> |
|--|------------------------------------|------------------------------------|---|------------------------------------|---|
| <u>Input Indicators</u> | | | | | |
| ● Total expenditures - all sources (in thousands) | \$ 259,973.0 | \$ 237,885.3 | \$ 224,819.1 | \$ 219,944.1 | \$ 202,956.4 |
| ● Total expenditures - state appropriated funds (in thousands) | \$ 259,973.0 | \$ 237,885.3 | \$ 224,819.1 | \$ 219,944.1 | \$ 202,956.4 |
| ● Average monthly full-time equivalents | 144.0 | 127.0 | 131.0 | 125.0 | 87.0 |
| <u>Output Indicators</u> | | | | | |
| ● Number of children receiving adoption payments (end of year) | 28,554 | 25,694 | 25,179 | 23,996 | 23,082 |
| ● Number of children receiving guardianship payments (end of year) | 4,681 | 3,976 | 3,612 | 3,494 | 3,246 |
| <u>Outcome Indicators</u> | | | | | |
| ● Number of children adopted | 1,349 | 1,182 | 1,360 | 1,724 | 1,433 |
| ● Number of children to guardianship | 534.0 | 303.0 | 260.0 | 303.0 | 322.0 |

State of Illinois
Department of Children and Family Services

Service Efforts and Accomplishments
(Unaudited)

(Dollars in Thousands)

Department of Children and Family Services - Family Maintenance

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

Program Goals:

Objectives:

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

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

Statutory Authority: Children & Family Services Act

| | <u>Fiscal Year 2010 Actual</u> | <u>Fiscal Year 2011 Actual</u> | <u>Fiscal Year 2012 Target /Projected</u> | <u>Fiscal Year 2012 Actual</u> | <u>Fiscal Year 2013 Target /Projected (a)</u> |
|--|------------------------------------|------------------------------------|---|------------------------------------|---|
| <u>Input Indicators</u> | | | | | |
| ● Total expenditures - all sources (in thousands) | \$ 69,397.6 | \$ 60,689.0 | \$ 58,875.3 | \$ 56,244.6 | \$ 59,508.2 |
| ● Total expenditures - state appropriated funds (in thousands) | \$ 69,397.6 | \$ 60,689.0 | \$ 58,875.3 | \$ 56,244.6 | \$ 59,508.2 |
| ● Average monthly full-time equivalents | 473.0 | 334.0 | 345.0 | 332.0 | 355.0 |
| <u>Output Indicators</u> | | | | | |
| ● Intact families at end of fiscal year | 5,867 | 5,638 | 5,385 | 5,149 | 4,853 |
| ● Family cases closed | 7,944 | 8,704 | 10,250 | 10,234 | 8,554 |
| <u>Outcome Indicators</u> | | | | | |
| ● Intact family cases open over 12 months | 2,136 | 2,005 | 1,974 | 1,861 | 1,302 |

**State of Illinois
Department of Children and Family Services**

**Service Efforts and Accomplishments
(Unaudited)**

(Dollars in Thousands)

Department of Children and Family Services - Protective Services

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

Program Goals:

Objectives:

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

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, Child Abuse Prevention Fund **Statutory Authority:** Children & Family Services Act

| | <u>Fiscal Year 2010 Actual</u> | <u>Fiscal Year 2011 Actual</u> | <u>Fiscal Year 2012 Target /Projected</u> | <u>Fiscal Year 2012 Actual</u> | <u>Fiscal Year 2013 Target /Projected (a)</u> |
|--|------------------------------------|------------------------------------|---|------------------------------------|---|
| <u>Input Indicators</u> | | | | | |
| ● Total expenditures - all sources (in thousands) | \$ 122,085.2 | \$ 145,012.6 | \$ 161,099.5 | \$ 158,419.1 | \$ 158,923.6 |
| ● Total expenditures - state appropriated funds (in thousands) | \$ 122,085.2 | \$ 145,012.6 | \$ 161,099.5 | \$ 158,419.1 | \$ 158,923.6 |
| ● Average monthly full-time equivalents | 1,062.0 | 1,164.0 | 1,183.0 | 1,136.0 | 1,136.0 |
| <u>Output Indicators</u> | | | | | |
| ● Family reports investigated | 67,380 | 63,046 | 67,708 | 65,963 | 65,475 |
| ● Hotline calls | 256,492 | 258,999 | 263,750 | 253,444 | 256,300 |
| ● Children investigated | 109,186 | 101,508 | 109,687 | 106,234 | 105,659 |
| <u>Outcome Indicators</u> | | | | | |
| ● Number of indicated family reports | 16,953 | 16,193 | 17,130 | 17,121 | 16,777 |
| ● Percentage of investigations indicated | 25.2% | 25.7% | 25.3% | 26% | 25.6% |
| ● Percentage of investigations initiated within 24 hours | 99.6% | 99.5% | 99.9% | 99.3% | 99.5% |
| ● Percentage of investigations completed within 60 days | 91.8% | 88.3% | 91.3% | 84.5% | 93.7% |

State of Illinois
Department of Children and Family Services

Schedule of Indirect Cost Reimbursements (Unaudited)
For the Years Ended June 30, 2012, 2011 and 2010

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 | | |
|---|-------------|-------------|-------------|--|---------------------|---------------------|
| | | | | 2010 | 2011 | 2012 |
| | (a) FY10 | (b) FY11 | (b) FY12 | | | |
| Costs applicable to: | | | | | | |
| Division of Support Services: Central Payment, FFP, Case Assignment and Day Care Unit | 22.7% | 22.7% | 22.7% | \$ 216,453 | \$ 221,175 | \$ 231,495 |
| Training | 28.7% | 28.7% | 28.7% | \$ 88,328 | \$ 88,745 | \$ 123,028 |
| Child Protection and Child Welfare Services | 22.6% | 22.6% | 22.6% | \$ 3,230,890 | \$ 3,661,135 | \$ 3,924,996 |
| Administrative Case Review | 15.3% | 15.3% | 15.3% | \$ 233,957 | \$ 243,692 | \$ 248,899 |
| Service Intervention including Housing & Cash Assistance, Placmt/Perm & Post Adopt | 18.1% | 18.1% | 18.1% | \$ 507,137 | \$ 529,382 | \$ 554,290 |
| Monitoring/Quality Assurance | 16.8% | 16.8% | 16.8% | \$ 732,976 | \$ 786,720 | \$ 796,848 |
| AFCARS/SACWIS | 23.9% | 23.9% | 23.9% | \$ 115,313 | \$ 133,774 | \$ 163,825 |
| Central Administration: Juvenile Court & Legal Permanency, and Child & Family Policy | 14.7% | 14.7% | 14.7% | \$ 160,340 | \$ 153,494 | \$ 159,305 |
| Clinical Services | 16.9% | 16.9% | 16.9% | \$ 87,834 | \$ 116,999 | \$ 138,192 |
| Office of the Guardian/Advocacy Office | 17.1% | 17.1% | 17.1% | \$ 165,186 | \$ 195,508 | \$ 221,903 |
| | | | Total | <u>\$ 5,538,414</u> | <u>\$ 6,130,624</u> | <u>\$ 6,562,781</u> |

(a) Fiscal Year 2010 is last approved rate agreement.

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