



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

**Financial Audit
 For the Year Ended June 30, 2020**

Release Date: June 30, 2021

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	2	5	2018	20-04, 20-05		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	3	2	5				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

This digest covers the Department of Children and Family Services' Financial Audit as of and for the year ended June 30, 2020. The Department of Children and Family Services' Compliance Examination covering the two years ended June 30, 2020 will be released under a separate cover at a later date.

SYNOPSIS

- **(20-01)** The Department year-end financial reporting in accordance with generally accepted accounting principles (GAAP) submitted to the Illinois Office of Comptroller contained a material error.
- **(20-03)** The Department did not develop or retain adequate supporting documentation for its personnel transactions and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2020**

STATEMENT OF NET POSITION (in thousands)	FY 2020
Assets	
Unexpended appropriations.....	\$ 89,513
Cash equity with State Treasurer.....	137,337
Cash and cash equivalents.....	2,717
Due from other government - federal.....	61,166
Other receivables, net.....	1,627
Due from other State funds.....	1,457
Inventories.....	1,396
Prepaid expenses	1,696
Capital assets being depreciated, net	1,200
Total assets.....	298,109
Deferred Outflows of Resources	
Pension.....	232,814
OPEB.....	498,400
Total deferred outflows of resources.....	731,214
Total Assets and Deferred Outflows of Resources.....	1,029,323
Liabilities	
Accounts payable and accrued liabilities.....	150,781
Intergovernmental payables.....	7,252
Due to other State funds.....	24,208
Due to State of Illinois component units.....	17,406
Pension liability.....	1,786,547
Total OPEB liability	
Due within one year.....	45,435
Due subsequent to one year.....	1,679,185
Capital Leases	
Due within one year.....	639
Due subsequent to one year.....	451
Compensated absences	
Due within one year.....	2,097
Due subsequent to one year.....	18,873
Total Liabilities.....	3,732,874
Deferred Inflows of Resources	
Pension.....	55,889
OPEB.....	133,809
Total deferred inflows of resources.....	189,698
Total Liabilities and Deferred Inflows of Resources.....	3,922,572
Net Position	
Invested in capital assets, net of related debt.....	110
Restricted net position.....	749
Unrestricted net position.....	(2,894,108)
Total Net Position.....	\$ (2,893,249)

STATEMENT OF ACTIVITIES (in thousands)	FY 2020
Total Expenses.....	\$ 1,648,997
Program Revenues:	
Total Charges for Services.....	19,960
Total Operating Grant Revenue.....	344,049
Net program revenues (expense).....	(1,284,988)
Total General Revenues.....	576
Total Other Sources (Uses).....	991,425
Change in Net Position.....	(292,987)
Net Position, Beginning of Year	(2,600,262)
Net Position, End of Year.....	\$ (2,893,249)

AGENCY DIRECTOR

During Engagement Period: Marc D. Smith - Acting
Currently: Marc D. Smith - Acting

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

FINANCIAL STATEMENT PREPARATION

The Department of Children and Family Services (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) submitted to the Illinois Office of Comptroller (Comptroller) contained a material error.

Revenues were overstated and beginning fund balance was understated by \$24.005 million

A material error was identified during the audit of the Department's draft financial statements. The effect of this misstatement in the Department's governmental funds financial statements was an overstatement of revenue and an understatement of beginning fund balance in the amount of \$24.005 million. The Department posted an audit adjustment to correct this error in its financial statements as of and for the year ended June 30, 2020. (Finding 1, page 58)

We recommended the Department implement internal control procedures to ensure GAAP Reporting Packages are prepared in an accurate manner.

Department agreed

The Department agreed with our recommendation and stated they have implemented corrective action. In addition, the Department stated they have filled a vacant CPA position and will continue to employ a contractor with expertise in completion and review of governmental financial statements.

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

The Department of Children and Family Services (Department) did not develop or retain adequate supporting documentation for its personnel transactions and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, some of the more significant issues we noted included the following:

An initial complete reconciliation had not been performed

- The Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data.
- Two of 80 (3%) employees tested did not have documentation supporting the employee's total

compensation as determined under the Illinois Pension Code (40 ILCS 5/14-133(a)), as adjustments were posted for bilingual pay and longevity pay which the Department could not substantiate from its own records. We considered the impact of the portion of these employees' total compensation that was unsupported and determined these amounts did not materially impact the Department's financial statements. (Finding 3, pages 61-62)

We recommended the Department implement controls to ensure total compensation paid to each employee is fully documented and supported within the Department's records. Further, we recommended the Department work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

Department agreed

The Department agreed with our recommendation and stated they will review their procedures regarding maintenance of employee pay records and make any changes necessary to ensure compensation figures are fully supported. The Department also stated they will work with the Office of Comptroller, SERS and CMS to develop a process to reconcile pension and OPEB census data as recommended.

OTHER FINDINGS

The remaining findings pertain to controls over cash, general information technology controls over IMPACT, and provider enrollment determinations and failure to execute interagency agreements relating to IMPACT. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2020, are fairly stated in all material respects.

This financial audit was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:SJS