

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			
	New	Repeat	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	2	5	2018	20-04,		
Category 2:	0	0	0		20-05		
Category 3:	0	0	0				
TOTAL	3	2	5				
FINDINGS I	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

Cash equity with State Treasurer.137,3Cash and cash equivalents.2,7Due from other government - federal.61,1Other receivables, net.1,6Due from other State funds.1,4Inventories.1,2Prepaid expenses1,2Total assets.298,11Deferred Outflows of Resources232,8Pension.232,8OPEB.2498,44Total Assets and Deferred Outflows of Resources.731,2Itabilities10,029,33Liabilities150,7Intergovernment apyables.7,2Due to State of Illinois component units.11,7,4Pension liability.1,786,5Total Assets and Deferred Outflows of Resources.1,679,11Capital Leases242,2Due to State of Illinois component units.1,679,11Capital Leases45,4,4Due within one year.66Due within one year.2,00Due within one year.2,00Due within one year.3,732,8Due within one year.3,732,8Deferred Inflows of Resources.3,732,8Deferred Inflows of Resources.3,732,8Deferred Inflows of Resources.3,932,5Net Position1Invested in capital assets, net of related debt.1Invested in capital assets, net of related debt.1Restricted net position.2,832,25Net Position2,832,25Total Liabilities and Deferred Inflows of Resources.3,932,5Total Caperales. <th>STATEMENT OF NET POSITION (in thousands)</th> <th>FY 2020</th>	STATEMENT OF NET POSITION (in thousands)	FY 2020
Cash equity with State Treasurer.137,3Cash equivalents.2,7Due from other government - federal.61,1Other receivables, net.1,6Due from other State funds.1,4Inventories.1,2Prepaid expenses1,2Total assets being depreciated, net1,2Total assets.298,1Deferred Outflows of Resources232,8Pension.232,8OPEB.498,4Total Assets and Deferred Outflows of Resources.7,31,2Iabilities1,029,3Liabilities150,7Intergovernmental payables.7,2Due to State of Illinois component units.17,4Pension liability1,786,5Total Assets and Deferred Outflows of Resources.1,679,17Capital Leases2,679,17Due to other State funds.2,42,2Due to State of Illinois component units.1,679,17Capital Leases2,029,37Due within one year.45,4,4Due within one year.2,804,17,91		
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Other receivables, net. 1.6 Due from other State funds. 1.4 Inventories. 1.3 Prepaid expenses 1.6 Capital assets being depreciated, net 1.2 Total assets 208.1 Deferred Outflows of Resources 208.1 Pension 228,8 OPEB 498.4 Total deferred outflows of resources 731.2 Total Assets and Deferred Outflows of Resources 731.2 Total Asset and Deferred Outflows of Resources 731.2 Due to state of Illinois component units 160.7 Intergovernmental payables 7.2 Due to state of Illinois component units 17.4 Pension liability 1.786.5 Total OPEB liability 1.786.5 Due within one year 45.4 Due subsequent to one year 2.00 Due subsequent to one year 2.00 Due subsequent to one year 2.00 Due subsequent to one year 3.732.8 Deferred Inflows of Resources 3.3,732.8 Deferred Inflows of Resources 3.922.5 Net Noition 1	Cash and cash equivalents	2,717
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Due from other State funds. 1.4 Inventories. 1.3 Prepaid expenses 1.6 Capital assets being depreciated, net 1.2 Total assets. 298.1 Deferred Outflows of Resources 232.8 Pension. 232.8 OPEB. 498.4 Total deferred outflows of resources. 731.2 Iotal Assets and Deferred Outflows of Resources. 70.1 Intergovernmental payables. 7.2.2 Due to other State funds. 242.2 Due to other State funds. 242.2 Due to other State funds. 24.2.2 Due to other State funds. 7.4.2 Due to other State funds. 1.7.48 Pension liability. 1.7.68 Due within one year. 45.4 Due within one year. 6 Due within one year. 2.00 Due subsequent to one year. 2.00 Due subsequent to one year. 2.00 Due subsequent to one year. 3.732.8 Deferred Inflows of Resources 18.9.6 Total Labilities and Deferred Inflows of Resources. 3.922.5	Other receivables, net	1,627
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Deferred Outflows of Resources 232,8 Pension 232,8 OPEB 498,4 Total deferred outflows of resources 1,029,3 Liabilities 1,029,3 Accounts payable and accrued liabilities 150,7 Intergovernmental payables 7,2 Due to other State funds 242,2 Due to State of Illinois component units 17,4 Pension liability 1,766,5 Total Assects and Deferred Outflows of Resources 6 Due within one year 66 Due subsequent to one year 6 Due subsequent to one year 2,00 Due within one year 2,00 Due subsequent to one year 2,00 Due subsequent to one year 3,732,8 Deferred Inflows of Resources 3,732,8 Deferred Inflows of resources 3,922,5 Net Position 1 Invested in capital assets, net of related debt 1 Invested in capital assets, net of related debt 1 Invested in capital assets, net of related debt 1 Investrict on the position </td <td>· · · ·</td> <td>298,109</td>	· · · ·	298,109
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Total Assets and Deferred Outflows of Resources. 1,029,33 Liabilities 150,77 Accounts payable and accrued liabilities. 150,77 Intergovernmental payables. 7,2 Due to other State funds. 24,22 Due to State of Illinois component units. 17,4 Pension liability 1,786,57 Total OPEB liability 1,786,57 Due within one year. 45,44 Due within one year. 66 Due within one year. 66 Due within one year. 61 Due within one year. 2,00 Due within one year. 18,8 Total Liabilities. 3,732,8 Deferred Inflows of Resources 55,80 Pension. 55,80 OPEB. 133,88 Total Liabilities and Deferred Inflows of Resources. 3,922,57 Net Position 1 Investred net position. 7 Investred net position. 7 Investricted net position. 7 <td></td> <td>498,400</td>		498,400
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Accounts payable and accrued liabilities 150,7 Intergovernmental payables 7,2 Due to other State funds 24,2 Due to State of Illinois component units 17,44 Pension liability 17,45 Due to State of Illinois component units 17,44 Pension liability 17,45 Due within one year 45,4 Due subsequent to one year 6 Due within one year 6 Due within one year 6 Due within one year 2,00 Due subsequent to one year 2,00 Due within one year 2,00 Due within one year 2,00 Due subsequent to one year 18,8 Total Liabilities 3,732,8 Deferred Inflows of Resources 133,88 Pension 55,8% OPEB 133,88 Total deferred inflows of Resources 3,922,5 Net Position 7 Invested in capital assets, net of related debt 1 Invested in capital assets, net of related debt 1 Questricted net position 7 Unrestricted net position <td>Total Assets and Deferred Outflows of Resources</td> <td>1,029,323</td>	Total Assets and Deferred Outflows of Resources	1,029,323
Accounts payable and accrued liabilities 150,7 Intergovernmental payables 7,2 Due to other State funds 24,2 Due to State of Illinois component units 17,44 Pension liability 17,45 Due to State of Illinois component units 17,44 Pension liability 17,45 Due within one year 45,4 Due subsequent to one year 6 Due within one year 6 Due within one year 6 Due within one year 2,00 Due subsequent to one year 2,00 Due within one year 2,00 Due within one year 2,00 Due subsequent to one year 18,8 Total Liabilities 3,732,8 Deferred Inflows of Resources 133,88 Pension 55,8% OPEB 133,88 Total deferred inflows of Resources 3,922,5 Net Position 7 Invested in capital assets, net of related debt 1 Invested in capital assets, net of related debt 1 Questricted net position 7 Unrestricted net position <td>Lighilities</td> <td></td>	Lighilities	
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Due to State of Illinois component units.17,4Pension liability.1,786,5Total OPEB liability1,786,5Due within one year.45,4Due subsequent to one year.1,679,11Capital Leases6Due within one year.6Due within one year.2,00Due within one year.2,00Due subsequent to one year.18,87Total Liabilities.3,732,87Deferred Inflows of Resources133,88Total Liabilities and Deferred Inflows of resources.18,8,61Total Liabilities and Deferred Inflows of Resources3,922,57Net Position7Invested in capital assets, net of related debt.1Restricted net position.7Unrestricted net position.7Invested in capital assets, net of related debt.1Restricted net position.7Total Net Position.5Total Net Position.5Total Charges for Services.19,90Total Charges for Services.19,90Total Charges for Services.19,90Total Operating Grant Revenue.344,00Net program revenues (expense).11,284,90Total General Revenues.5Total General Revenues.5Total General Revenues.5Total Other Sources (Uses).991,4		
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Total OPEB liability 45,4 Due within one year. 1,679,11 Capital Leases 66 Due within one year. 66 Due within one year. 66 Due within one year. 61 Due within one year. 44 Compensated absences 2,00 Due within one year. 2,00 Due subsequent to one year. 18,8 Total Liabilities 3,732,8 Deferred Inflows of Resources 133,80 Pension. 55,8 OPEB. 133,80 Total Liabilities and Deferred Inflows of resources. 189,66 Total Liabilities and Deferred Inflows of Resources 3,922,5 Net Position 1 Invested in capital assets, net of related debt. 1 Investiced net position. 2,894,11 Total Net Position. 5 Statements 5 Total Expenses. \$ 1,648,99 Program Revenues: 19,90 Total Charges for Services. 19,90 Total Operating Grant Revenue. 344,00 Net program revenues (expense). 11,284,99 <	-	· · · · ·
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Due within one year		1,679,185
Due subsequent to one year. 4 Compensated absences 2,00 Due within one year. 18,8 Total Liabilities. 3,732,8 Deferred Inflows of Resources 133,88 Total deferred inflows of resources. 189,60 Total Liabilities and Deferred Inflows of Resources. 3,922,55 Net Position 1 Invested in capital assets, net of related debt. 1 Restricted net position. 7 Unrestricted net position. 2(2,893,22) STATEMENT OF ACTIVITIES (in thousands) FY 2020 Total Expenses. 5 Total Operating Grant Revenue. 344,0 Net program revenues (expense). (1,284,99) Total General Revenues. 5 Total General Revenues. 5 Total Other Sources (Uses). 991,44	Capital Leases	
Compensated absences 2,0 Due within one year	Due within one year	639
Due within one year	Due subsequent to one year	451
Due subsequent to one year	Compensated absences	
Due subsequent to one year	Due within one year	2,097
Total Liabilities		18,873
Pension. 55,8: OPEB. 133,8: Total deferred inflows of resources. 189,6: Total Liabilities and Deferred Inflows of Resources. 3,922,5: Net Position 1 Invested in capital assets, net of related debt. 1 Restricted net position. 7. Unrestricted net position. (2,894,14) Total Net Position. (2,893,22) STATEMENT OF ACTIVITIES (in thousands) FY 2020 Total Expenses. \$ 1,648,99 Program Revenues: 1 Total Operating Grant Revenue. 344,00 Net program revenues (expense). (1,284,99) Total General Revenues. 5 Total Other Sources (Uses). 991,42		3,732,874
Pension. 55,8: OPEB. 133,8: Total deferred inflows of resources. 189,6: Total Liabilities and Deferred Inflows of Resources. 3,922,5: Net Position 1 Invested in capital assets, net of related debt. 1 Restricted net position. 7. Unrestricted net position. (2,894,14) Total Net Position. (2,893,22) STATEMENT OF ACTIVITIES (in thousands) FY 2020 Total Expenses. \$ 1,648,99 Program Revenues: 1 Total Operating Grant Revenue. 344,00 Net program revenues (expense). (1,284,99) Total General Revenues. 5 Total Other Sources (Uses). 991,42		
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Total deferred inflows of resources.189,6Total Liabilities and Deferred Inflows of Resources.3,922,5Net Position1Invested in capital assets, net of related debt.1Restricted net position.7Unrestricted net position.(2,894,10)Total Net Position.\$ (2,893,22)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,99Program Revenues:1Total Operating Grant Revenue.344,00Net program revenues (expense).(1,284,99)Total General Revenues.5Total Other Sources (Uses).991,42		55,889
Total Liabilities and Deferred Inflows of Resources.3,922,5Net Position1Invested in capital assets, net of related debt.1Restricted net position.7Unrestricted net position.(2,894,10)Total Net Position.\$ (2,893,22)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,99Program Revenues:1Total Operating Grant Revenue344,00Net program revenues (expense).(1,284,99)Total General Revenues.5Total Other Sources (Uses).991,42		133,809
Net PositionInvested in capital assets, net of related debt.1Restricted net position.7Unrestricted net position.(2,894,10)Total Net Position.\$ (2,893,20)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,90Program Revenues:\$ 1,648,90Total Charges for Services.19,90Total Operating Grant Revenue.344,00Net program revenues (expense).(1,284,90)Total General Revenues.5'Total Other Sources (Uses).991,42'		189,698
Invested in capital assets, net of related debt.1Restricted net position.74Unrestricted net position.(2,894,11)Total Net Position.\$ (2,893,24)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,99Program Revenues:\$ 1,648,99Total Charges for Services.19,99Total Operating Grant Revenue.344,04Net program revenues (expense).(1,284,99)Total General Revenues.5'Total Other Sources (Uses).991,42	Total Liabilities and Deferred Inflows of Resources	3,922,572
Invested in capital assets, net of related debt.1Restricted net position.74Unrestricted net position.(2,894,11)Total Net Position.\$ (2,893,24)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,99Program Revenues:\$ 1,648,99Total Charges for Services.19,99Total Operating Grant Revenue.344,04Net program revenues (expense).(1,284,99)Total General Revenues.5'Total Other Sources (Uses).991,42	Not Position	
Restricted net position		110
Unrestricted net position	-	
Total Net Position\$ (2,893,2)STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses\$ 1,648,99Program Revenues: Total Charges for Services19,90Total Operating Grant Revenue344,00Net program revenues (expense)(1,284,99)Total General Revenues5'Total Other Sources (Uses)991,42'		749 (2 804 108
STATEMENT OF ACTIVITIES (in thousands)FY 2020Total Expenses.\$ 1,648,99Program Revenues:\$ 1,648,99Total Charges for Services.19,90Total Operating Grant Revenue.344,00Net program revenues (expense).(1,284,99)Total General Revenues.5'Total Other Sources (Uses).991,42		\
Total Expenses	I OTAL INCL LOSITION	۶ (2,893,249
Total Expenses	STATEMENT OF ACTIVITIES (in thousands)	EV 2020
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Total Charges for Services. 19,90 Total Operating Grant Revenue. 344,00 Net program revenues (expense). (1,284,90) Total General Revenues. 50 Total Other Sources (Uses). 991,42	10tal Expenses	<u>۵</u> 1,648,997
Total Charges for Services. 19,90 Total Operating Grant Revenue. 344,00 Net program revenues (expense). (1,284,90) Total General Revenues. 50 Total Other Sources (Uses). 991,42	Program Revenues:	
Total Operating Grant Revenue. 344,0 Net program revenues (expense). (1,284,9) Total General Revenues. 5' Total Other Sources (Uses). 991,4'		19,960
Net program revenues (expense)		344,049
Total General Revenues		
Total Other Sources (Uses)		(1,201,900
	Total General Revenues	576
	Total Other Sources (Uses)	991,425
(272,7)	Change in Net Position	(292,987
		(2,600,262
	· · · · · · · · · · · · · · · · · · ·	× / / *
AGENCY DIRECTOR	AGENCY DIRECTOR	
During Engagement Period: 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.

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.

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:

- 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

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

Department agreed

An initial complete reconciliation had not been performed 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.

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.



JANE CLARK Division Director

Department agreed

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