



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, 2022**

**Release Date: June 22, 2023**

<b>FINDINGS THIS AUDIT: 3</b>				<b>AGING SCHEDULE OF REPEATED FINDINGS</b>			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<b>Repeated Since</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
<b>Category 1:</b>	<b>1</b>	<b>2</b>	<b>3</b>	2020	<b>1, 2</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
<b>FINDINGS LAST AUDIT: 5</b>							

**SYNOPSIS**

- **(22-01)** The Department's year-end financial statements in accordance with generally accepted accounting principles (GAAP) submitted to the Illinois Office of Comptroller contained errors.
- **(22-03)** The Department failed to maintain proper segregation of duties over access to the Department's daycare providers' licensing information, child care information and billing system.

**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, 2022**

STATEMENT OF NET POSITION (in thousands)	FY 2022
<b>Assets</b>	
Unexpended appropriations.....	\$ 114,559
Cash and cash equivalents.....	334,384
Due from other government - federal.....	50,728
Other receivables, net.....	1,600
Due from other Department and State funds.....	2,030
Prepaid expenses .....	1,835
Capital assets being depreciated, net .....	2,274
<b>Total assets.....</b>	<b>507,410</b>
<b>Deferred Outflows of Resources</b>	
Pension.....	276,381
OPEB.....	120,600
<b>Total deferred outflows of resources.....</b>	<b>396,981</b>
<b>Total Assets and Deferred Outflows of Resources.....</b>	<b>904,391</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities.....	140,822
Due to others (includes other governments and State funds).....	38,000
All other liabilities.....	2,994,636
<b>Total Liabilities.....</b>	<b>3,173,458</b>
<b>Deferred Inflows of Resources</b>	
Pension.....	154,509
OPEB.....	532,381
<b>Total deferred inflows of resources.....</b>	<b>686,890</b>
<b>Total Liabilities and Deferred Inflows of Resources.....</b>	<b>3,860,348</b>
<b>Net Position</b>	
Invested in capital assets, net of related debt.....	720
Restricted net position.....	2,545
Unrestricted net position.....	(2,959,222)
<b>Total Net Position.....</b>	<b>\$ (2,955,957)</b>

STATEMENT OF ACTIVITIES (in thousands)	FY 2022
Total Expenses.....	\$ 1,417,556
<b>Program Revenues:</b>	
Total Charges for Services.....	19,466
Total Operating Grant Revenue.....	395,452
Net program revenues (expense).....	(1,002,638)
Total General Revenues.....	193
Total Other Sources (Uses).....	1,278,389
Change in Net Position.....	275,944
Net Position, Beginning of Year .....	(3,231,901)
Net Position, End of Year.....	\$ (2,955,957)

AGENCY DIRECTOR
During Engagement Period: Marc D. Smith
Currently: Marc D. Smith

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FINANCIAL STATEMENT PREPARATION**

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

During the audit of the Department's financial statements, we noted the following:

**Receipts, totaling \$1.592 million, were deposited into the wrong fund**

- Receipts from a private organization's grant (totaling \$1,592,000) were deposited in the Special Revenue Fund - Special Purpose Fund 0582 (Fund 0582), while expenditures related to this grant were paid from and recorded in the General Revenue Fund 0001 (Fund 0001). The error resulted in an understatement of General Revenue Fund revenues and overstatement of Special Revenue Fund revenues by \$1,592,000. An adjustment to correct the error was recorded by Department management.

**FY21 expenditures, totaling \$1.084 million, were classified as FY22 expenditures**

- Two health and social services expenditures (totaling \$1,084,744) pertaining to fiscal year 2021 were recorded as expenses in fiscal year 2022. The error resulted in an overstatement of beginning net position and an understatement in current year expenditures. The error in Fund 0001 was deemed immaterial by the Department and was not corrected.
- Three fiscal year 2022 expenditures payable to a State of Illinois component unit (totaling \$894,805) were recorded as accounts payable and accrued liabilities. The error in Fund 0001 was deemed immaterial by the Department and was not corrected. (Finding 1, pages 55-57)

We recommended the Department implement internal control procedures to ensure accurate financial statement preparation.

**Department agreed with recommendation**

The Department agreed with the recommendation and stated it has implemented a corrective action plan. Department management stated that due to unprecedented vacancies in the Division of Budget & Finance, review procedures in place were not able to be followed to catch the misstatements identified in the auditor's review of our financial statements and that the Department has added senior management positions to its approved headcount to provide duplicity and support to be better able to manage the ebbs and flows of staffing levels and add expertise to ensure the accuracy of Departmental financial statements.

## **FAILURE TO MAINTAIN PROPER SEGREGATION OF DUTIES OVER DAYCARE**

The Department failed to maintain proper segregation of duties over access to the Department's daycare providers' licensing information, child care information and billing system.

**FY22 daycare expenditures totaled \$34.778 million**

The Department maintains data related to entities who provide daycare services to the children in the State's care and specific data related to the children themselves. As a result of these services, the Department makes payment to these entities. During the audit period, the Department expended \$34,778,402 related to daycare services.

**45 users had multiple levels of rights resulting in inadequate segregation of duties**

We conducted testing of the users' access right to daycare providers' licensing information, child care information and billing system to determine if proper segregation of duties had been implemented. Individuals should not have the ability to establish a daycare provider, a child-in-care, and to submit and approve billings and payments. Our testing results noted 45 of 2,348 (2%) users had rights to enter, modify and delete daycare providers' information, child information and billing information. As a result, the Department failed to maintain proper segregation of duties.

**43% of tested monthly access review reports were not reviewed by Department personnel**

We also reviewed the Department's user access review reports to the daycare providers' licensing information, child care information and billing system for three months, noting three of seven (43%) monthly reports had not been reviewed. (Finding 3, pages 61-62)

**Department agreed with recommendation**

We recommended the Department implement proper segregation of duties and ensure no one individual has the rights to enter, modify, and delete daycare providers' information, child information and billing information. Additionally, we recommended the Department complete the monthly user access reviews.

The Department agreed with the auditor's recommendation and stated it has begun the process of conducting an extensive review of its daycare processes and will make all necessary changes to ensure appropriate segregation of duties are in place over our Daycare system. The Department also stated it will review its procedures over access rights review to ensure they are up to appropriate standards.

## **OTHER FINDINGS**

The remaining finding pertains to inadequate controls over the Department's review for service providers. 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, 2022 are fairly stated in all material respects.

This financial audit was conducted by Roth & Co. LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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