State of Illinois
Department of Human Services

Financial Audit
For the Year Ended June 30, 2019

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

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State of Illinois
Department of Human Services
Financial Audit

Table of Contents

Other Reports Issued Under a Separate Cover

The Department's Compliance Examination for the year ended June 30, 2019, will be issued under a separate cover.

State of Illinois

Department of Human Services

Agency Officials

Secretary	Grace B. Hou (3/18/19 – present) Vacant (3/16/19 – 3/17/19) James T. Dimas (through 3/15/19)
Assistant Secretary (Operations)	Dulce Quintero (5/6/19 – present) Vacant (7/1/18 – 5/5/19)
Assistant Secretary (Programs)	Kia Coleman (5/6/19 – present) Vacant (3/22/19 – 5/5/19) Maria Bruni (through 3/21/19)
Budget Director	Tiffany Blair (6/16/19 – present) Robert Brock (through 6/15/19)
Business Services Director	Paul Hartman
Chief of Staff	Ryan Croke (4/24/19 – present) Corey-Ann Gulkewicz (10/1/18 – 4/23/19) Fred Flather (through 9/30/18)
Chief Financial Officer	Robert Brock
Chief Operating Officer	Francisco DuPrey (4/29/19 – present) Vacant (3/1/19 – 4/28/19) Khari Hunt (through 2/28/19)
Office of Contract Administration Director	Gary Kramer (8/1/19 – present) Brian Bond (Acting, 8/1/18 – 7/31/19) Dan Melliere (Acting, 7/1/18 – 7/31/18)
Chief Internal Auditor	Amy DeWeese
Agency Procurement Officer	Jean Sandstrom (7/19/18 – present) Vacant (7/1/18 – 7/18/18)
Fiscal Services Director	Connie Sabo (10/9/18 – present) Alex Jordan (Acting, through 10/8/18)
Human Resources Director	Scott Viniard
Chief Information Officer	Steve Buche (2/3/20 – present) Mike Scott (Acting, 9/9/19 – 2/2/20) Brad Long (6/1/19 – 9/8/19) Amy Gentry (through 5/31/19)
Office of Community Relations Director	Meghan Powers
Chief Legislative Liaison	Andre Jordan (10/1/19 – present) Emily Katalinich (Acting, 7/1/19 – 9/30/19) Jennifer Aring (through 6/30/19)
Hispanic/Latino Affairs Director	Elizabeth Diaz Castillo

General Counsel	John F. Schomberg (3/4/19 – present) Vacant (3/2/19 – 3/3/19) Dan Dyslin (10/1/18 – 3/1/19) Corey-Anne Gulkewicz (through 9/30/18)
Inspector General	Peter Neumer (11/18/19 – present) Dan Dyslin (Acting, 5/21/19 – 11/17/19) Michael McCotter (through 5/20/19)
Strategy, Equity & Transformation Director (formerly Office of Innovation, Strategy & Performance)	Andrea Hall (7/16/19 – present) Vacant (2/1/19 – 7/15/19) Bruce Bendix (through 1/31/19)
Division of Substance Use Prevention and Recovery Director	Danielle Kirby
Division of Rehabilitation Services Director	Rahnee Patrick (5/20/19 – present) Vacant (4/16/19 – 5/19/19) Quinetta Grant (through 4/15/19)
Division of Developmental Disabilities Director	Allison Stark (9/23/19 – present) Kathy Ward (Acting, 1/16/19 – 9/22/19) Melissa Wright (Acting, through 1/15/19)
Division of Mental Health Director	David Albert (1/1/20 – present) Diana Knaebe (through 12/31/19)
Office of Family Community Services Director (formerly HCD)	Tim Verry (Acting, 3/4/19 – present) Vacant (3/2/19 – 3/3/19) Diane Grigsby-Jackson (through 3/1/19)
Division of Clinical, Administrative and Program Support Manager	Jennifer Aring (7/1/19 – present) Vacant (9/1/18 – 6/30/19) J. Michael (Mike) Patton (through 8/31/18)
Grant Administration Director	Sessy Nyman (5/28/19 – present) Vacant (11/1/18 – 5/27/19) Mary Jennings (through 10/31/18)
Office of Security and Emergency Preparedness Director	Joseph Gasparich (10/1/19 – present) Ken McCaffrey (through 12/31/2018)
Civil Affairs Director & EEO/AA Officer	Ganapathi Ramaswamy
Labor Relations	Lori Simmons (Acting, 1/7/20 – present) Vacant (1/1/20 – 1/6/20) Lori Simmons (2/1/17 – 12/31/19) retired

Agency main offices are located at:

100 South Grand Avenue, East Springfield, Illinois 62762	401 South Clinton Street Chicago, Illinois 60607

Summary

The audit of the accompanying basic financial statements of the State of Illinois, Department of Human Services (Department) was performed by RSM US LLP.

Based on their audit, the auditors expressed unmodified opinions on the Department's basic financial statements.

Summary of Findings

The auditors identified 12 matters involving the Department's internal control over financial reporting that they considered to be material weaknesses and significant deficiencies. Further, the auditors identified 11 noncompliance matters.

Item No.	Page	Last Reported	Description	Finding Type
			Findings (*Government Auditing Standards*)	
2019-001		2018	Medical Assistance Program Financial Information	Material Weakness and Noncompliance
2019-002		2018	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Material Weakness and Noncompliance
2019-003		New	Weaknesses in Preparation of Year-End Department Financial Statements	Material Weakness and Noncompliance
2019-004		2017	Failure to Deposit Federal Funds According to Statute	Material Weakness and Noncompliance
2019-005		2018	Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements	Material Weakness and Noncompliance
2019-006		2018	Lack of Security Controls over the Integrated Eligibility System (IES)	Material Weakness and Noncompliance
2019-007		2018	Untimely Processing of Applications for Benefits and Redeterminations of Eligibility for Benefits	Material Weakness and Noncompliance
2019-008		2018	Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data	Material Weakness and Noncompliance
2019-009		New	Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)	Significant Deficiency
2019-010		New	Lack of Detailed Agreement with the Department of Innovation and Technology (DoIT)	Material Weakness and Noncompliance
2019-011		2018	Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements	Material Weakness and Noncompliance
2019-012		2018	Inadequate General Information Technology Controls over IMPACT	Material Weakness and Noncompliance

Summary of Findings (Continued)

Item No.	Page	Last Reported	Description
			Prior Findings Not Repeated
A.		2018	Methodology Used for Calculating the Allowance for Doubtful Accounts Not Accurate
B.		2018	Failure to Perform Essential Project Management Functions over the Integrated Eligibility System
C.		2018	Deletion of Four Months of Intake Eligibility Files and Significant Problems Determining Eligibility for Human Service Programs
D.		2018	Statewide Failure to Execute Interagency agreements and Perform Essential Project Management Functions over Provider Enrollment in the Medicaid Program

Exit Conference

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 6, 2020. Attending were:

Department of Human Services:

Grace Hou	Secretary
John Schomberg	General Counsel
Amy DeWeese	Chief Internal Auditor
Robert Brock	Chief Financial Officer
Connie Sabo	Fiscal Services Director
Lisa McKinnie	Internal Audit Administrative Assistant

Office of the Auditor General:

Janis VanDurme	Audit Senior Manager
Kathy Lovejoy	Audit Senior Manager

RSM US LLP:

Linda Abernethy, Partner
Ryan Caldwell, Senior Manager

The Department's responses to the Findings were provided by Amy DeWeese, Chief Internal Auditor, in correspondence dated April 9, 2020.

The Department of Healthcare and Family Services' responses to Findings 2019-005 through 2019-012 were provided by Theresa Eagleson, Director, in correspondence dated April 2, 2020.

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RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

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 Human Services (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Department, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements of the Department are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019, and the respective changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison information for the General Fund, and pension and other postemployment benefit (OPEB) related information 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements.

The accompanying supplementary information, which consists of combining statements and schedules, as listed in the table of contents, is presented for purposes of additional analysis and is 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. Such information has 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Listing of Agency Officials on pages 1 and 2 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020 on our consideration of the Department's 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 solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
April 10, 2020

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2019 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	$ 583,483	$ 586	$ 584,069	$ -	$ 584,069
Cash deposited with State Treasurer	129,950	184,354	314,304	-	314,304
Cash and cash equivalents	190	7,395	7,585	-	7,585
Securities lending collateral equity with State Treasurer	35,339	9,974	45,313	-	45,313
Investments	-	1,683	1,683	-	1,683
Due from other government - federal	99,008	213,011	312,019	-	312,019
Due from other government - local	-	226	226	-	226
Taxes receivable, net	-	139	139	-	139
Loans and notes receivable, net	-	429	429	-	429
Due from other Department funds	6,232	3,570	9,802	(9,802)	-
Due from other State funds	691	5,399	6,090	-	6,090
Due from State of Illinois component units	-	4	4	-	4
Inventories	4,316	2,426	6,742	-	6,742
Prepaid expenses	-	-	-	262	262
Recipient services and other receivables, net	7,375	126,616	133,991	-	133,991
Capital assets not being depreciated	-	-	-	3,787	3,787
Capital assets being depreciated, net	-	-	-	297,496	297,496
Total assets	866,584	555,812	1,422,396	291,743	1,714,139
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	-	-	-	1,846,100	1,846,100
Deferred outflows of resources - SERS pensions	-	-	-	965,760	965,760
Deferred outflows of resources - TRS pensions	-	-	-	631	631
Total deferred outflows of resources	-	-	-	2,812,491	2,812,491
Total assets and deferred outflows of resources	$ 866,584	$ 555,812	$ 1,422,396		
LIABILITIES					
Accounts payable and accrued liabilities	405,348	137,089	542,437	-	542,437
Due to other government - federal	10,836	60,124	70,960	-	70,960
Due to other government - local	7,989	9,427	17,416	-	17,416
Due to other Department fiduciary funds	26	-	26	-	26
Due to other State fiduciary funds	35	2,524	2,559	-	2,559
Due to other Department funds	3,570	6,232	9,802	(9,802)	-
Due to other State funds	202,206	7,433	209,639	-	209,639
Due to State of Illinois component units	1,704	6,633	8,337	-	8,337
Unearned revenue	-	17,471	17,471	-	17,471
Obligations under securities lending of State Treasurer	35,339	9,974	45,313	-	45,313
Long-term obligations:					
Due within one year	-	-	-	6,803	6,803
Due subsequent to one year	-	-	-	12,791,939	12,791,939
Total liabilities	667,053	256,907	923,960	12,788,940	13,712,900
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	10	115,827	115,837	(115,837)	-
Deferred inflows of resources - OPEB	-	-	-	788,896	788,896
Deferred inflows of resources - SERS pensions	-	-	-	392,780	392,780
Deferred inflows of resources - TRS pensions	-	-	-	1,724	1,724
Total deferred inflows of resources	10	115,827	115,837	1,067,563	1,183,400
FUND BALANCES/NET POSITION					
Fund Balances (Deficit):					
Nonspendable	4,316	3,531	7,847	(7,847)	-
Restricted	45,576	171,862	217,438	(217,438)	-
Committed	78,710	59,435	138,145	(138,145)	-
Unassigned	70,919	(51,750)	19,169	(19,169)	-
Net Position (Deficit):					
Net investment in capital assets	-	-	-	300,100	300,100
Restricted for:					
Community developmental disabilities programs	-	-	-	36,696	36,696
Child care programs	-	-	-	161,070	161,070
Supplemental nutrition assistance program	-	-	-	68,206	68,206
Temporary assistance to needy families	-	-	-	11,711	11,711
Aid to the aged, blind and disabled	-	-	-	11,485	11,485
Vocational rehabilitation	-	-	-	7,236	7,236
Home services	-	-	-	8,189	8,189
Other health and social service programs	-	-	-	26,941	26,941
Restricted-funds held as permanent investments:					
Nonexpendable purposes	-	-	-	1,105	1,105
Unrestricted net position (deficit)	-	-	-	(11,002,409)	(11,002,409)
Total fund balances/net position (deficit)	199,521	183,078	382,599	$ (10,752,269)	$ (10,369,670)
Total liabilities, deferred inflows and fund balances	$ 866,584	$ 555,812	$ 1,422,396		

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2019
(Expressed in Thousands)

Total fund balances - governmental funds		$ 382,599
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		301,283
Prepaid expenses for governmental activities are current uses of financial resources in the governmental funds.		262
Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.		115,837
Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. These amounts consist of the following:		
Net pension liability - SERS	(6,730,608)	
Net pension liability - TRS	(1,017)	
Deferred outflows of resources - SERS pensions	965,760	
Deferred outflows of resources -TRS pensions	631	
Deferred inflows of resources - SERS pensions	(392,780)	
Deferred inflows of resources -TRS pensions	(1,724)	(6,159,738)
Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in governmental funds since they do not provide or use current financial resources. These amounts consist of the following:		
OPEB Liability	(6,008,782)	
Deferred outflows of resources - OPEB	1,846,100	
Deferred inflows of resources - OPEB	(788,896)	(4,951,578)
Other liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Capital lease obligations	(1,183)	
Compensated absences	(57,152)	(58,335)
Net position (deficit) of governmental activities		$ (10,369,670)

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services

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

For the Year Ended June 30, 2019 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	$ 4,500,006	$ 4,159,340	$ 8,659,346	$ 540,053	$ 9,199,399
Debt service - principal	452	73	525	(525)	-
Debt service - interest	775	48	823	-	823
Capital outlays	38,141	669	38,810	(38,810)	-
Total expenditures/expenses	4,539,374	4,160,130	8,699,504	500,718	9,200,222
Program revenues:					
Charges for services:					
Licenses and fees	107	10,592	10,699	-	10,699
Other charges for services	127	42,892	43,019	(1,188)	41,831
Total charges for services	234	53,484	53,718	(1,188)	52,530
Operating grant revenue:					
Federal operating grants	629,598	4,019,922	4,649,520	(19,212)	4,630,308
Other operating grants	3	314	317	-	317
Total operating grant revenue	629,601	4,020,236	4,649,837	(19,212)	4,630,625
Total program revenues	629,835	4,073,720	4,703,555	(20,400)	4,683,155
Net program expense					(4,517,067)
General revenues and transfers:					
General revenues:					
Interest and investment income	4,338	1,334	5,672	-	5,672
Other taxes	-	637	637	-	637
Other revenues, net of refunds	(331)	6,135	5,804	-	5,804
Appropriations from State resources	4,655,223	14,093	4,669,316	2,830	4,672,146
Lapsed appropriations	(326,840)	(12,149)	(338,989)	-	(338,989)
Receipts collected and transmitted to State Treasury	(198,894)	(1,436)	(200,330)	-	(200,330)
Capital lease and installment purchase financing	571	141	712	(712)	-
Transfers:					
Net capital transfers and other adjustments	-	-	-	13,700	13,700
Amount of SAMS transfers-in	(69,650)	-	(69,650)	-	(69,650)
Amount of SAMS transfers-out	2,382	-	2,382	-	2,382
Transfers-in	21,253	127,020	148,273	(112,334)	35,939
Transfers-out	(112,281)	(67)	(112,348)	112,334	(14)
Total general revenues and transfers	3,975,771	135,708	4,111,479	15,818	4,127,297
Excess of revenues and transfers-in over expenditures and transfers-out	66,232	49,298	115,530	(115,530)	-
Change in net position	-	-	-	(389,770)	(389,770)
Fund balance (deficit) /net position (deficit), July 1, 2018	134,118	134,153	268,271	(10,248,171)	(9,979,900)
Increase (decrease) for changes in inventories	(829)	(373)	(1,202)	1,202	-
Fund balance /net position (deficit), June 30, 2019	$ 199,521	$ 183,078	$ 382,599	$ (10,752,269)	$ (10,369,670)

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human 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, 2019
(Expressed in Thousands)

Net change in fund balances	$ 115,530	
Change in inventories	(1,202)	$ 114,328
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital expenditures	38,810	
Depreciation	(41,469)	(2,659)
Transfers of capital assets from (to) other State agencies and other adjustments do not provide current financial resources and, therefore, are not reported in governmental funds.		13,700
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		525
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(20,400)
Some capital additions were financed through capital leases. In governmental funds, capital leases are considered a source of financing, but in the Statement of Net Position the capital lease is reported as a liability.		(712)
Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following:		
Increase in net pension liability - SERS pensions	(42,893)	
Decrease in net pension liability - TRS pensions	865	
Change in deferred inflows	54,913	
Change in deferred outflows	(293,255)	(280,370)
Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following:		
Increase in OPEB liability	(1,308,345)	
Change in deferred inflows	(280,439)	
Change in deferred outflows	1,359,614	(229,170)
Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds.		259
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. Below are such activities.		
Decrease in retroactive pay liability under contract settlement		15,280
Decrease (increase) in compensated absences obligation		(551)
Change in net position (deficit) of governmental activities		$ (389,770)

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services
Statement of Fiduciary Net Position
June 30, 2019 (Expressed in Thousands)

	Private-Purpose Trust: Hansen-Therkelsen Memorial Deaf Student College 0123	Agency Funds
ASSETS		
Cash deposited with State Treasurer	$ 6	$ -
Cash and cash equivalents	48	2,138
Securities lending collateral equity with State Treasurer	1	-
Investments	1,029	880
Due from other government - federal	-	29
Other receivables, net	-	3
Loans and notes receivable	38	-
Due from other Department funds	-	26
Total assets	1,122	$ 3,076
LIABILITIES		
Accounts payable and accrued liabilities	-	26
Obligations under securities lending of State Treasurer	1	-
Other liabilities	-	3,050
Total liabilities	1	$ 3,076
NET POSITION		
Held in trust and other purposes	$ 1,121	

The accompanying notes are an integral part of the basic financial statements.

State of Illinois
Department of Human Services

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Private-Purpose Trust
	Hansen-Therkelsen Memorial Deaf Student College 0123
Additions:	
Investment income	$ 24
Other additions	10
Total additions	34
Deductions:	
Health and social services	-
Total deductions	-
Net additions	34
Net position, July 1, 2018	1,087
Net position, June 30, 2019	$ 1,121

The accompanying notes are an integral part of the basic financial statements.

NOTE (1) - Organization

The Department of Human 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 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, excluding all locally-held funds authorized by State law.

The Department is organized to assist Illinois residents to achieve self-sufficiency, independence and health to the maximum extent possible by providing integrated family-oriented services, providing preventive care programs and establishing measurable outcomes in partnership with communities.

NOTE (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

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's Comprehensive Annual Financial Report may be obtained by accessing the State Comptroller Office's website – https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report-cafr.

The Department does not currently report any component units.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Human Services, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each 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, 2019 and the changes in financial position for the year then ended in conformity with GAAP.

The financial activities of the Department, which consist primarily of governmental activities, are reported under the health and social services function in the State's 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 position 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 government-wide statement of net position and statement of activities of the Department consist only of governmental activities, which are primarily supported by appropriations from the State and Federal operating grant revenues.

The statement of net position presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Department's governmental activities with the difference being reported as net position. 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 subsequent to one year.

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 a specific 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 taxes and all amounts related to State appropriations, 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. Major funds are determined by the State Comptroller. All remaining governmental funds are aggregated and reported as non-major funds.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds) of the State of Illinois' Comprehensive Annual Financial Report – see note 2(d).

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, among others, 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's portion of the General Fund is composed of a primary sub-account (General Revenue) and ten secondary sub-accounts (Illinois Veterans' Rehabilitation, Special Olympics Illinois and Special Children's Charities, Home Services Medicaid Trust, Community Developmental Disabilities Services Medicaid Trust, CMS vs AFSCME Wages Trust, Care Provider Fund for Persons with a Developmental Disability, Health and Human Services Medicaid Trust, Commitment to Human Services, Budget Stabilization, and Community Mental Health Medicaid Trust).

Additionally, the Department reports the following fund types:

***Governmental Fund Types*:**

Special Revenue – These funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditure for specified purposes* other than debt service or capital projects. The Department does not have any major special revenue funds to disclose.

Permanent – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

***Fiduciary Fund Types*:**

Private Purpose – These funds account for resources legally held in trust for use by individuals the Department serves. All resources of these funds, including any earnings on invested resources, may be used to support these individuals.

Agency – These funds account for receipts from individuals or groups of individuals at the Department's mental health and developmental centers, and schools, as well as electronic benefit transfers. These funds are collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

(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. 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, as defined above, 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 Department 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 debt, claims and judgments, other post-employment benefits (OPEB), pension benefits and compensated absences are recorded only when payment is due. Capital asset acquisitions and principal retirements 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 intergovernmental grants, charges for services, and interest. All other revenue sources including fines, licenses and fees and other revenues are considered to be measurable only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue, CMS vs AFSCME Wages Trust, Care Provider Fund for Persons with a Developmental Disability, Commitment to Human Services, and Budget Stabilization subaccounts of the General Fund, and the Tobacco Settlement Recovery and Maternal and Child Health Services Block Grant, non-major governmental funds, 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 expenditure transactions processed by the State Comptroller's Office after June 30 annually in accordance with Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year and voucher, interfund payment, and mandatory SAMS transfer transactions held by the State Comptroller's Office at June 30.

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) for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For fiscal year 2019, the lapse period was extended through October.

Receipts collected and transmitted to State Treasury – This "other financing use" account represents all cash receipts received during the fiscal year according to SAMS records.

Amount of SAMS transfers-in – This "other financing use" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

Amount of SAMS transfers-out – This "other financing source" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

Transfer of administration of funds (to)/from – This "other financing source/use" account represents a change in administration of a fund as directed by the Office of the Comptroller.

(e) Eliminations

Eliminations have been made in the government-wide statement of net position and statement of activities to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department, and to eliminate transfers between funds 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 position.

Similarly, amounts reported in the governmental funds statement of revenues, expenditures and changes in fund balance as transfers in and transfers out have been eliminated in the government-wide statement of activities. 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 position 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 3 months or less at the time of purchase. Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, cash invested in the Illinois Funds and money market accounts for locally held funds.

(g) Investments

Most investments are reported at fair value. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments at amortized cost. Investments in Illinois Funds are valued at share price, which is the price the investment could be sold for.

(h) Inventories

For governmental funds, the Department recognizes the costs of inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories, consisting primarily of food and drugs maintained at the mental health and developmental centers, in governmental funds and are reported at weighted average cost. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Department reports an equivalent portion of fund balance as non-spendable.

(i) Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as expenditures in the governmental funds and as prepaid expenses in the government-wide statement of net position.

(j) Interfund Transactions

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

Interfund Borrowings – Interfund loans made in accordance with State statute that are to be repaid with interest to the lender fund. Interfund borrowings are reported as “due to other funds” in lender funds and “due from other funds” in borrower funds.

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 sheet or the government-wide statement of net position.

Designated Revenues – Revenues specifically restricted or committed by State statute initially received by another fund and subsequently distributed to a special revenue fund. Designated revenues are reported as revenues in the receiving special revenue fund and a reduction of revenues in the fund of initial deposit.

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 uses of financial resources in the funds making transfers and as other sources of financial resources 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 for State and Federal programs.

(k) Capital Assets

Capital assets, which include property, plant, equipment, and intangibles are reported at cost or estimated historical cost. Capital assets transferred from other State agencies are recorded at their carryover basis. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method.

Capitalization thresholds (amounts expressed in whole dollars) and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	$ 100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	3 - 50
Buildings	100,000	10 - 60
Building Improvements	25,000	10 - 45
Equipment	5,000	3 - 25
Purchased Computer Software	25,000	3 - 5
Internally Generated Computer Software	1,000,000	5 - 20

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues in governmental funds include receivables not “available” to finance the current period.

(m) Compensated Absences

The liability for compensated absences reported in the government-wide statement of net position 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 is calculated based on the employees’ salary at June 30 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.

(n) Pensions

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans’ fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual amortization of pension related deferred outflows and inflows of resources.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

In the governmental fund financial statements, pension expenditures represent amounts paid to the pension plan and the change between the beginning and ending balances of amounts owed to the plan for contributions.

(o) Post-Employment Benefits Other Than Pensions ("OPEB")

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period (see Note 10). The liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements. In the governmental fund financial statements, OPEB expenditures represent amounts paid for OPEB as they become due and payable.

(p) Fund Balances

For the year ended June 30, 2019, components of fund balance include the following captions:

Nonspendable – Fund balance component resulting from portions of net resources that cannot be spent because of their form or because they must be legally or contractually maintained intact.

Restricted – Fund balance component resulting from enforceable external limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments as well as limitations imposed by law through constitutional provision or enabling legislation.

Committed – Fund balance component resulting from self-imposed limitations set in place prior to the end of the reporting period. The limitations are imposed at the highest level of decision-making authority that requires formal action at the same level to remove. For the Department, the State Legislature is the highest level of decision-making. In order to commit fund balance for a specific purpose, the State Legislature must enact a law specifying the commitment.

Unassigned – Total fund balance in the General Fund in excess of non-spendable, restricted, and committed fund balance, and deficit residual fund balances in other governmental funds.

If there is an expenditure incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available, the Department considers restricted fund balance to be spent before unrestricted fund balance. In addition, if there is an expenditure incurred for which committed, assigned or unassigned fund balance may be used, the Department considers committed fund balance to be spent before assigned fund balance and assigned fund balance to be spent before unassigned fund balance.

(q) Net Position (Deficit)

Net position (deficit) represents the difference of assets plus deferred outflows and liabilities plus deferred inflows of resources. In the government-wide statement of net position, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation/amortization, 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 position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Department's restricted net position is restricted by outside parties or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Department's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position (deficit) that does not meet the definition of "restricted" or "net investment in capital assets".

(r) 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

(s) Recent and Future Accounting Pronouncements

Effective for the year ending June 30, 2019, the Department adopted the following GASB statements:

Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The implementation of this statement had no financial impact on the Department's net position or results of operations, however there was disclosure added about asset retirement obligations, see Note 8(c).

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* which is intended to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should be including when disclosing information related to debt. The implementation of this statement had no financial impact on the Department's net position or results of operations.

Effective for the year ending June 30, 2020, the Department will adopt the following GASB statement:

Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployments benefit arrangements that are fiduciary activities.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Effective for the year ending June 30, 2021, the Department will adopt the following GASB statements:

Statement No. 87, *Leases*, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and/or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective for the year ending June 30, 2022, the Department will adopt the following GASB statements:

Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with

(1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The Department has not yet determined the impact of adopting these statements on its financial statements, however the Statement on Leases is expected to be material to the financial statements.

NOTE (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 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. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department is required by the State Officers and Employees Money Disposition Act (30 ILCS 230/2c) to obtain a bond, pledged securities, or other eligible collateral equal to or greater than the uninsured portion of the deposit. Deposits for locally-held funds had a carrying amount of $11.165 million ($8.128 million and $3.037 million reported in governmental activities and fiduciary funds, respectively).

The total bank balance was not exposed to custodial credit risk.

(b) Investments

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Department has the following recurring fair value measurements as of June 30, 2019, which are held outside of the State Treasury (amounts expressed in thousands):

Investments Measured at Fair Value

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**
	6/30/19	(Level 1)	(Level 2)	(Level 3)
Governmental Activities				
U.S. Agency Obligations	$ 40	$ -	$ 40	$ -
Total Governmental Activities	$ 40	$ -	$ 40	$ -

The Department also has $2.095 million invested with The Illinois Funds ($1.066 million in Governmental Activities and $1.029 million in Fiduciary Funds). The Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures for financial reporting purposes all its investments at amortized cost. The fair value of the pool position is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from the pool.

The Department is authorized by Illinois State Statute to invest in the following:

1. Obligations of the U.S. Treasury, its agencies, and instrumentalities
2. Savings accounts, certificates of deposit, or time deposits that are direct obligations of any bank that is insured by the Federal Deposit Insurance Corporation
3. Commercial paper noted within the three highest classifications by at least two standard rating services
4. Obligations of states and their political subdivisions
5. Shares or other securities issued by savings and loan associations that are insured by the Federal Savings and Loan Insurance Corporation
6. Insured accounts of a credit union whose principal office is located in the State of Illinois
7. Illinois Funds Money Market Fund
8. Money market mutual funds where the portfolio is limited to U.S. government securities
9. Repurchase agreements where the Department or its authorized third-party agent takes possession of the securities

Interest Rate Risk – The Department's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department's investments in U.S. Agency securities have maturities of less than one year ($10,000) and maturities of one to five years ($30,000).

Credit Risk – The Department's investment policy does not address credit risk. The U.S. Agency Obligations were rated Aaa by Moody's Investors Services or AA+ by Standard & Poor's ratings. The Illinois Funds was rated AAAm by Standard & Poor's.

Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position

The amounts reported as investments in the statement of net position and the statement of fiduciary net position contain certain long-term deposits to reflect their lack of liquidity. A reconciliation (amounts expressed in thousands) follows:

Governmental Activities	Cash & Cash Equivalents/ Deposits	Investments
Amounts per note 3 (a) and 3 (b)	$ 8,128	$ 1,106
Deposits held for investment purposes	(698)	698
Cash equivalents	121	(121)
Petty cash	34	-
Amounts per Statement of Net Position	$ 7,585	$ 1,683
Fiduciary Funds		
Amounts per note 3 (a) and 3 (b)	$ 3,037	$ 1,029
Deposits held for investment purposes	(880)	880
Petty cash	29	-
Amounts per Statement of Fiduciary Net Position	$ 2,186	$ 1,909

NOTE (4) - Other Receivables

Recipient services and other receivables, net at June 30, 2019 (amounts expressed in thousands) consisted of the following:

	Governmental Funds		
Revenue Source	**General Fund**	**Nonmajor Funds**	**Fiduciary Funds**
Fines	$ -	$ 30	$ -
Public assistance recoveries	9,640	1,601	-
Rebates	-	9,957	-
Recipient services and recoveries	8,133	413,147	3
Interest and other Income	241	131	-
Total other receivables	18,014	424,866	3
Allowance for uncollectible amounts	(10,639)	(298,250)	-
Other receivables, net	$ 7,375	$ 126,616	$ 3

NOTE (5) - Securities Lending Transactions

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 AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2019, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities 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 fiscal year 2019 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2019 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2019, 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 AG and marked to market daily at no less than 102%. 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. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer, pertaining to the funds of DHS, as of June 30, 2019 was approximately $45 million.

NOTE (6) - Interfund Balances and Activity

(a) Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2019 represent amounts due from other Department and State of Illinois funds:

	Due from Other		
Fund Type	**Department Funds**	**State Funds**	**Description/Purpose**
General	$ 6,232	$ 691	See comment that follows
Nonmajor governmental	3,570	5,399	See comment that follows
	$ 9,802	$ 6,090	

General - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

Non-major governmental - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

The following balances (amounts expressed in thousands) at June 30, 2019 represent amounts due to other Department and State of Illinois funds:

Fund Type	Due to Other: Department Funds	Department Fiduciary	State Funds	State Fiduciary	Description/Purpose
General	$ 3,570	$ 26	$ 202,206	$ 35	See comment that follows
Nonmajor governmental	6,232	-	7,433	2,524	See comment that follows
	$ 9,802	$ 26	$ 209,639	$ 2,559	

General – Due to other Department funds and other Department fiduciary funds for expenditure reimbursements, other State funds for expenditure reimbursements and excess federal grant deposits, and other State fiduciary funds for post-employment benefits.

Non-major governmental – Due to other Department funds for required transfers and expenditure reimbursements, other State funds for expenditure reimbursements and other State fiduciary funds for post-employment benefits.

(b) Transfers from/to Other Funds

Interfund transfers-in (amounts expressed in thousands) for the year ended June 30, 2019 were as follows:

Fund Type	Transfers in from Other: Department Funds	State Funds	Total	Description/Purpose
General	$ 67	$ 21,186	$ 21,253	Transfers from other Department funds and other State funds pursuant to statute and annual appropriations.
Nonmajor governmental	112,267	14,753	127,020	Transfers from other Department funds and other State funds pursuant to statute and annual appropriations.
Totals	$ 112,334	$ 35,939	$ 148,273	

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2019 were as follows:

	Transfers out to Other			
Fund Type	**Department Funds**	**State Funds**	Total	**Description/Purpose**
General	$ 112,267	$ 14	$ 112,281	Transfers to other Department funds and State funds pursuant to statute.
Nonmajor governmental	67	-	67	Transfers to other Department funds pursuant to statute.
Totals	$ 112,334	$ 14	$ 112,348	

(c) Balances due from/to State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2019 represent amounts due to/from State of Illinois component units for reimbursement for expenses incurred:

	Due From Amounts	Due to Amounts	
Component Unit	**Nonmajor Governmental Funds**	**General Fund**	**Nonmajor Governmental Funds**
Toll Highway Authority	$ -	$ 5	$ -
Eastern Illinois University	-	1	305
Governors State University	-	57	94
Northeastern Illinois	-	-	65
Western Illinois University	-	-	75
Illinois State University	-	2	1
Northern Illinois University	-	-	18
Southern Illinois University	-	126	472
University of Illinois	4	1,513	5,603
Totals	$ 4	$ 1,704	$ 6,633

NOTE (7) - Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Net Transfers	Balance June 30, 2019
Capital assets not being depreciated/amortized:					
Land and land improvements	$ 2,889	$ -	$ -	$ -	$ 2,889
Construction in progress	-	-	-	898	898
Internally generated intangible assets in development	-	14,941	-	(14,941)	-
Total capital assets not being depreciated/amortized	2,889	14,941	-	(14,043)	3,787
Capital assets being depreciated/amortized:					
Site improvements	77,618	567	-	189	78,374
Buildings and building improvements	535,934	20,148	-	4,491	560,573
Equipment	33,614	2,441	2,215	-	33,840
Capital leases - equipment	2,367	713	1,367	-	1,713
Non-internally generated software	204	-	-	-	204
Internally generated software	232,307	-	-	23,127	255,434
Total capital assets being depreciated/amortized	882,044	23,869	3,582	27,807	930,138
Less accumulated depreciation/amortization:					
Site improvements	77,788	(2,520)	-	-	75,268
Buildings and building improvements	445,522	17,042	-	-	462,564
Equipment	24,451	2,823	2,151	-	25,123
Capital leases - equipment	1,550	590	1,367	-	773
Non-internally generated software	163	17	-	-	180
Internally generated software	45,217	23,517	-	-	68,734
Total accumulated depreciation/amortization	594,691	41,469	3,518	-	632,642
Total capital assets being depreciated/amortized, net	287,353	(17,600)	64	27,807	297,496
Total capital assets, net	$ 290,242	$ (2,659)	$ 64	$ 13,764	$ 301,283

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2019 was charged as follows:

Health and social services	$ 41,469

NOTE (8) - Long-term Obligations

(a) Changes in Long-term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2019 were as follows:

	July 1, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Other long-term obligations:					
Compensated absences	$ 56,601	$ 95,107	$ 94,556	$ 57,152	$ 6,212
Capital lease obligations	996	712	525	1,183	591
OPEB liability	4,700,437	1,308,345	-	6,008,782	-
Net pension liability - SERS	6,687,715	42,893	-	6,730,608	-
Net pension liability - TRS	1,882	-	865	1,017	-
Totals	$ 11,447,631	$ 1,447,057	$ 95,946	$ 12,798,742	$ 6,803

Compensated absences will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Net pension liabilities and OPEB liabilities will be liquidated though the General Revenue Fund, and the special revenue funds that report wages. The capital lease obligations will be liquidated primarily by the General Revenue Fund.

(b) Capital Lease Obligations

The Department leases office and computer equipment with a historical cost and accumulated depreciation (amounts expressed in thousands) of $1,714 and $774, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 591	$ 612	$ 1,203
2021	501	122	623
2022	91	10	101
Totals	$ 1,183	$ 744	$ 1,927

(c) Asset Retirement Obligations

The Department operates two coal-fired power plants, and has one idle plant that produce electricity and steam for certain facilities. The Department also has one decommissioned x-ray unit which may contain hazardous materials. When these plants are ultimately retired, the government will incur costs associated with legally-required disposal and environmental remediation activities. Any hazardous materials contained in the x-ray unit will also require safe disposal. At this time, the government does not have sufficient information available to provide a reasonable estimate of these related asset retirement obligations.

NOTE (9) -Defined Benefit Pension Plans

Plan descriptions. 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) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. SERS is a single-employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts, and certain State agencies. There are 851 local school districts, 127 special districts, and 12 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2018. The State of Illinois, as a nonemployer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

Both plans consist of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and Tier 2 members, except where noted.

Both plans also issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports are available on the respective plan websites or may be obtained by writing or calling the plan as follows:

- State Employees' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-7444 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (877) 927-5877 or www.trsil.org.

Benefit Provisions

State Employees' Retirement System
SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits:

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2018 rate is $113,645. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of noncovered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through SERS. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Teachers' Retirement System
TRS provides retirement benefits, whereby most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, or age 55 with 20 years of credited service. If a member retires between the ages of 55 and 60 with fewer than 35 years of service the annuity will be reduced one-half percent for each month the member is under age 60. The retirement benefit is based on the final average salary, which is the average salary for the highest 4 consecutive years within the last 10 years of credible service. Annual automatic increases equal to 3% are provided to essentially all retirees. Under Tier 2, a member qualifies for an age retirement annuity after reaching age 62 with 10 years of credited service, at a discounted rate, or age 67 with 10 years of credited service. The retirement benefit is based on the final average salary, which for Tier 2 is the average salary for the highest 8 consecutive years within the last 10 years of credible service. Annual automatic increases equal to the lesser of 3% or one half of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

Contributions

State Employees' Retirement System
Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2019, this amount was $114,952.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2019, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2019, the employer contribution rate was 51.152%. The Department's contribution amount for fiscal year 2019 was $39.333 million. In addition, the Department recorded $431.219 million of revenue (appropriations) and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Department employees that were paid from statewide General Revenue Fund appropriations.

Teachers' Retirement System

The State maintains the primary responsibility for funding TRS. The Illinois Pension Code, as appended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to TRS for each fiscal year be an amount determined to be sufficient to bring the total assets of TRS up to 90% funding. Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The active member contribution rate for the year ended June 30, 2019 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total credible earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the Illinois Compiled Statutes.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2019, this amount was $114,952. The Department's contribution amount for FY19 was $9 thousand. In addition the Department recorded $3,715 million of revenue (appropriations) and expenditures in the General Revenue account of the General Fund to account for payments to TRS for Department employees that were paid from statewide General Revenue Fund appropriations.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions

State Employees' Retirement System

At June 30, 2019, the Department reported a liability of $6.731 billion for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2018 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Department's proportion was 20.3610% which was an increase of 0.0379 from its proportion measured as of the prior year measurement date of June 30, 2017.

For the year ended June 30, 2019, the Department recognized pension expense of $756.483 million. At June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 161,283
Changes of assumptions	370,857	154,434
Net difference between projected and actual investment earnings on pension plan investments	3,026	-
Changes in proportion	121,325	77,063
Department contributions subsequent to the measurement date	470,552	-
Total	$ 965,760	$ 392,780

$470.552 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ended June 30,	SERS
2020	$ 160,290
2021	46,679
2022	(89,552)
2023	(14,989)
Total	**$ 102,428**

Teachers' Retirement System

At June 30, 2019, the Department reported a liability of $1.017 million for its proportionate share of the TRS net pension liability on the statement of net position. The State's proportionate share of the net pension liability (as a nonemployer contributing entity in a special funding situation) for the Department was $69.683 million. The total net pension liability for the Department's employees participating in TRS was $70.700 million as of the measurement date. The net pension liability was measured as of June 30, 2018 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, and rolled forward to June 30, 2018. The Department's portion of the net pension liability was based on the Department's contributions relative to the contributions of all participating TRS employers and the State during the year ended June 30, 2018. At June 30, 2018, the measurement date, the Department's proportionate share was 0.001305% for the TRS plan, which was an 0.001159 decrease from its proportion measured at the prior year measurement date of June 30, 2017.

For the year ended June 30, 2019, the Department recognized pension expense of $6.188 million, which includes $6.544 million of State pension expense for Department employees. This amount is also included as revenue. At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20	$ -
Changes of assumptions	44	29
Net difference between projected and actual investment earnings on pension plan investments	-	3
Changes in proportion	558	1,692
Department contributions subsequent to the measurement date	9	-
Total	$ 631	$ 1,724

$9 thousand reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ended June 30,	TRS
2020	$ (509)
2021	(133)
2022	(223)
2023	(166)
2024	(71)
Total	$ (1,102)

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS
Valuation date	6/30/2018	6/30/2017*
Measurement date	6/30/2018	6/30/2018
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases**	3.00% - 7.42%	4.00% - 9.50%
Inflation rate	2.50%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI^, on original benefit	1.25% not compounded
Retirement age experience study ^^	July 2012 - June 2015	July 2014 - June 2017
Mortality^^^		
SERS	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added	
TRS	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017	

* The total pension liability is based on an actuarial valuation date of June 30, 2017, rolled-forward to the measurement date using generally accepted actuarial procedures.

** Includes inflation rate listed.

^ Consumer Price Index

^^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015.

^^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Changes of Assumptions and Other Inputs that Affected Measurement of the Total Pension Liability.

Input and assumption changes since the previous measurement date which impacted the calculation of the total pension liability and other pension amounts are noted below.

State Employees' Retirement System

- The projected salary increase range changed from 3.25% - 7.67% to 3.00% - 7.42%.
- The rate of inflation decreased from 2.75% to 2.50%.
- The date range of the retirement age experience study changed from July 2009 – June 2013 to July 2012 – June 2015.

Teachers' Retirement System

- The projected salary increase range changed from 3.25% - 9.25% to 4.00% - 9.50%.
- The date range of the retirement age experience study changed from July 2011 – June 2014 to July 2014 – June 2017.
- The mortality rate changed from using projection table MP-2014 to MP-2017.

State Employees' Retirement System

The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2018, the best estimates of the geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.0%	5.50%
Developed Foreign Equity	13.0%	5.30%
Emerging Market Equity	8.0%	7.80%
Private Equity	7.0%	7.60%
Intermediate Investment Grade Bonds	14.0%	1.50%
Long-term Government Bonds	4.0%	1.80%
TIPS	4.0%	1.50%
High Yield and Bank Loans	5.0%	3.80%
Opportunistic Debt	8.0%	5.00%
Emerging Market Debt	2.0%	3.70%
Core Real Estate	5.5%	3.70%
Non Core Real Estate	4.5%	5.90%
Infrastructure	2.0%	5.80%
Total	**100%**	

Teachers' Retirement System

The long-term expected rate of return assumption on pension plan investments under the TRS plan was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities Large Cap	15%	6.70%
U.S. Equities Small/Mid Cap	2%	7.90%
International Equities Developed	14%	7.00%
Emerging Market Equities	3%	9.40%
U.S. Bonds Core	8%	2.20%
U.S. Bonds High Yield	4%	4.40%
International Debt Developed	2%	1.30%
Emerging International Debt	3%	4.50%
Real Estate	16%	5.40%
Real Return	4%	1.80%
Absolute Return	14%	3.90%
Private Equity	15%	10.20%
Total	**100%**	

***Discount rate*.**

State Employees' Retirement System

A discount rate of 6.81% was used to measure the total pension liability. This represents an increase of 0.03 from the discount rate used for the previous valuation. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.62%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, it has been determined that the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2075 for SERS. As a result, the long-term expected rate of return on pension plan investments has been applied to projected benefit payments through the year 2075, at which time the municipal bond rate has been applied to all remaining benefit payments.

Teachers' Retirement System

A discount rate of 7.00% was used to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2120. As a result, the long-term expected rate of return on pension plan investments has been applied to projected benefit payments for all periods.

Sensitivity of the net pension liability to changes in the discount rate. The net pension liability for SERS and TRS was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	SERS		
	1% Decrease 5.81%	**Discount Rate 6.81%**	**1% Increase 7.81%**
Department's proportionate share of the SERS net pension liability	$ 8,148,128	$ 6,730,608	$ 5,569,273

	TRS		
	1% Decrease 6.00%	**Discount Rate 7.00%**	**1% Increase 8.00%**
Department's proportionate share of the TRS net pension liability	$ 1,248	$ 1,017	$ 832

Payables to the pension plan. At June 30, 2019, the Department reported a payable of $1.713 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2019.

NOTE (10) - Post-employment Benefits

Plan description. The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the State Employees' Retirement System of Illinois ("SERS") and the Teachers' Retirement System ("TRS") are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for each of the retirement systems are defined within Note 9. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services (CMS) administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (SERS and TRS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided, and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund (a State fund administered by CMS), which covers both active State employees and retirement members. Annuitants may be required to contribute towards health 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 toward health 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 and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the Statewide General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the statewide retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269.44 ($6,698.64 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,823.52 ($4,983.60 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB**.** The total OPEB liability, as reported at June 30, 2019, was measured as of June 30, 2018, with an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date. At June 30, 2019, the Department recorded a liability of $6.009 billion for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Department's proportion was 14.9871%, which was an increase of 3.6124% from its proportion measured as of the prior year measurement date of June 30, 2017.

The Department recognized OPEB expense for the year ended June 30, 2019, of $635.475 million.

At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	1,539
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,701,601
Department contributions subsequent to the measurement date		142,960
Total deferred outflows of resources	$	1,846,100
Deferred inflows of resources		
Differences between expected and actual experience	$	132,312
Changes of assumptions		564,286
Changes in proportion and differences between employer contributions and proportionate share of contributions		92,298
Total deferred inflows of resources	$	788,896

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date ($142,960) will be recognized as a reduction to the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,	Amount	
2020	$	213,138
2021		213,138
2022		213,138
2023		238,820
2024		36,010
Total	$	914,244

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on SERS and TRS active, inactive, and retiree data as of June 30, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0 % grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2017 valuations for SERS and TRS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Changes of Assumptions and Other Inputs that Affected Measurement of the Total OPEB Liability.

For the measurement date of June 30, 2018, the Department of Central Management Services experienced two significant changes within its estimation process since the previous measurement date. The OPEB liability, for which the Universities and Departments of the State of Illinois are responsible for employer contributions, was significantly impacted by (1) the State Universities' number of participants in SEGIP and (2) the average cost per employee within SEGIP. The Department of Central Management Services made changes to its estimation methodology as better data has become available, and continued to refine the estimate to achieve a more representative reflection of employer contributions to be made in future periods. As such, the primary allocation of OPEB liability and expense allocated within the general revenue fund and associated with non-University State employees experienced a significant increase.

Other changes in assumptions and inputs are as follows:

- The discount rate for SEGIP valuation increased from 3.56% to 3.62%.
- The Healthcare Cost Trend Rate for Medical (Pre-Medicare) changed from “grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7” to “grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7”.
- The Dental trend rate increased from “7.5% grading down 0.5% per year over 6 years to 4.5%” to “6.0% grading down 0.5% per year over 3 years to 4.5%”
- The Vision trend rate is no longer included.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.62% at June 30, 2018, was used to measure the total OPEB liability. This represents an increase of 0.06 from the discount rate used for the previous valuation.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan’s total OPEB liability, calculated using a Single Discount Rate of 3.62%, as well as what the plan’s total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
Total OPEB liability	$ 7,044,564	$ 6,008,782	$ 5,186,542

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	$ 5,075,072	$ 6,008,782	$ 7,221,807

NOTE (11) - Fund Balances

(a) Categories

At June 30, 2019, the Department's governmental fund balances were classified as follows:

	General Fund	Other Nonmajor Funds	Total
Nonspendable:			
Inventory	$ 4,316	$ 2,426	$ 6,742
Permanent endowments	-	1,105	1,105
Total nonspendable	4,316	3,531	7,847
Restricted Purposes:			
Community developmental disabilities programs	36,696	-	36,696
Home services program	8,189	-	8,189
Child care programs	-	161,070	161,070
Vocational rehabilitation programs	-	7,168	7,168
Other programs	691	3,624	4,315
Total restricted	45,576	171,862	217,438
Committed Purposes:			
Veteran's rehabilitation	8,556	-	8,556
Medical assistance programs	19,816	24,692	44,508
Mental health programs	50,338	21,122	71,460
Information technology initiatives	-	8,711	8,711
Other programs	-	4,910	4,910
Total committed	78,710	59,435	138,145
Unassigned	70,919	(51,750)	19,169
Total fund balance	$ 199,521	$ 183,078	$ 382,599

(b) Fund Deficits

The CMS vs AFSCME Wages Trust Fund and Care Provider Fund for Persons with a Developmental Disability, subaccounts of the General Fund, had fund deficits of $140 and $511, respectively (expressed in thousands), at June 30, 2019. The Prevention and Treatment of Alcoholism and Substance Abuse Block Grant Fund, Drunk and Drugged Driving Prevention Fund, Employment and Training Fund, Early Intervention Program Fund, DHS Federal Projects Fund, and DHS Recoveries Trust Fund, non-major governmental funds, had fund deficits (expressed in thousands) of $3, $85, $429, $5,003, $141, and $46,089, respectively, at June 30, 2019.

NOTE (12) - 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. The Department's risk management activities for employee health claims, workers' compensation claims and auto liability claims are financed through appropriations to the Illinois Department of Central Management Services (CMS). Other claims costs could be charged back to the Department upon settlement; however, the Department is not able to estimate those amounts and does not expect them to be material.

The Department's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department, and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2019.

NOTE (13) - Commitments and Contingencies

(a) Federal Funding

Backlog of Applications in Integrated Eligibility System (IES)

The State of Illinois implemented an Integrated Eligibility System (IES) for the intake and processing of applications in order to determine eligibility for various health and human services programs (i.e., Medicaid, SNAP, TANF) effective October 2013. Upon the implementation of IES, the State has experienced delays in processing applications due to an increase in the number of applications for the expanded Medicaid programs and open enrollment periods, insufficient caseworker resources and other factors. These delays resulted in applications not being reviewed and approved or denied within the mandated timeframe. As of June 30, 2019, the Department had approximately 22,239 unprocessed initial applications and 3,126 unprocessed redeterminations for SNAP/TANF in IES. Department management estimated the amount of the retroactive benefits associated with the unprocessed applications and redeterminations at $1.8 million and $0.6 million, respectively. The amounts are not material to the financial statements and have not been recorded.

SNAP Overpayment Claims

The Department has significant delays in investigating and resolving overpayment claims for the Supplemental Nutrition Assistance Program (SNAP). Department management cannot establish a claim against a SNAP recipient until their investigation is complete. When resolution of these claims is complete, the Department estimates it will record net receivables from beneficiaries under the program of approximately $117 million, for benefits established on or before June 30, 2019. Additionally, it is estimated that $93 million will be recorded as a liability to the Federal government for their share of overpayment collections. The rate used to calculate this amount came from the USDA Food and Nutrition Service website. The Department used the FY17 SNAP quality control error rate which is the most recent figure published by the USDA.

SNAP Error Rate

The U.S. Department of Agriculture Food & Nutrition Service (FNS) requires state agencies to measure Supplemental Nutrition Assistance Program payment error rates under the quality control provisions of Section 16(c) of the Food and Nutrition Act of 2008, as amended. A 2-year liability system is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive fiscal year, FNS determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure for payment error rates. FNS determined Illinois' payment error of 9.61% exceeded the allowable percentage of 6.80% for fiscal year 2018 resulting in Illinois being in a position of potential future liability. Illinois has developed and implemented a corrective action plan. Payment error rate measurements for fiscal year 2019 through June 2019 indicate Illinois' payment error rate is 8.59% which is above the acceptable level of 6.00%.

Federal Program Audits

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 and subject to repayment by the Department. Generally, no provision for repayment is recorded until the federal grantor agency has determined a repayment is necessary. The Department in not aware of any material unrecorded liabilities pertaining to questioned costs. Identified questioned costs are frequently reported in the State of Illinois Single Audit Report. A copy of the report may be obtained by accessing the Illinois Office of the Auditor General's website, http://www.auditor.illinois.gov/Audit-Reports/Statewide-Single-Audit.asp.

(b) Litigation

The Department is routinely involved in a number of 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.

Note (14) Subsequent Events

These financial statements do not include any adjustments related to the impact of COVID-19 (Coronavirus) on programs and benefits the Department administers. The Department anticipates there will be an impact to program costs as well as an impact on the number of individuals that become eligible for benefits such as SNAP and TANF, during this difficult time. The extent of the impact is currently being monitored and evaluated by the Department.

State of Illinois
Department of Human Services
Combining Schedule of Accounts - General Fund
June 30, 2019 (Expressed in Thousands)

	General Revenue 0001	Illinois Veterans' Rehabilitation 0036	Special Olympics Illinois and Special Children's Charities 0073	Home Services Medicaid Trust 0120	Community Developmental Disabilities Services Medicaid Trust 0142	CMS vs AFSCME Wages Trust 0168	Care Provider Fund for Persons with a Developmental Disability 0344
ASSETS							
Unexpended appropriations	$ 583,341	$ -	$ -	$ -	$ -	$ -	$ 142
Cash deposited with State Treasurer	529	275	1	10,286	57,749	-	-
Cash and cash equivalents	190	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	3,896	16,124	-	-
Due from other government - federal	89,083	-	-	-	-	-	-
Recipient services and other receivables, net	6,050	-	-	36	110	-	-
Due from other State fiduciary funds	-	-	-	-	-	-	-
Due from other Department funds	6,223	8,335	-	32	-	-	-
Due from other State funds	-	-	691	-	-	-	-
Inventories	4,316	-	-	-	-	-	-
Total assets	$ 689,732	$ 8,610	$ 692	$ 14,250	$ 73,983	$ -	$ 142
LIABILITIES							
Accounts payable and accrued liabilities	396,918	22	1	2,156	3,581	-	653
Due to other government - federal	10,832	-	-	-	-	-	-
Due to other government - local	7,984	5	-	-	-	-	-
Due to other Department fiduciary funds	26	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-
Due to other Department funds	11,794	-	-	-	-	140	-
Due to other State funds	184,591	27	-	6	17,582	-	-
Due to State of Illinois component units	1,701	-	-	3	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	3,896	16,124	-	-
Total liabilities	613,846	54	1	6,061	37,287	140	653
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	4,316	-	-	-	-	-	-
Restricted	-	-	691	8,189	36,696	-	-
Committed	-	8,556	-	-	-	-	-
Unassigned	71,570	-	-	-	-	(140)	(511)
Total fund balances (deficits)	75,886	8,556	691	8,189	36,696	(140)	(511)
Total liabilities, deferred inflows and fund balances (deficits)	$ 689,732	$ 8,610	$ 692	$ 14,250	$ 73,983	$ -	$ 142

(Continued)

State of Illinois
Department of Human Services
Combining Schedule of Accounts - General Fund
June 30, 2019 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718	Eliminations	Total
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ 583,483
Cash deposited with State Treasurer	18,381	58	-	42,671	-	129,950
Cash and cash equivalents	-	-	-	-	-	190
Securities lending collateral equity with State Treasurer	4,555	-	-	10,764	-	35,339
Due from other government - federal	532	-	-	9,393	-	99,008
Recipient services and other receivables, net	153	953	-	73	-	7,375
Due from other State fiduciary funds	-	-	-	-	-	-
Due from other Department funds	-	-	-	6	(8,364)	6,232
Due from other State funds	-	-	-	-	-	691
Inventories	-	-	-	-	-	4,316
Total assets	$ 23,621	$ 1,011	$ -	$ 62,907	$ (8,364)	$ 866,584
LIABILITIES						
Accounts payable and accrued liabilities	251	-	-	1,766	-	405,348
Due to other government - federal	-	-	-	4	-	10,836
Due to other government - local	-	-	-	-	-	7,989
Due to other Department fiduciary funds	-	-	-	-	-	26
Due to other State fiduciary funds	-	-	-	35	-	35
Due to other Department funds	-	-	-	-	(8,364)	3,570
Due to other State funds	-	-	-	-	-	202,206
Due to State of Illinois component units	-	-	-	-	-	1,704
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	4,555	-	-	10,764	-	35,339
Total liabilities	4,806	-	-	12,569	(8,364)	667,053
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	10	-	-	-	-	10
Total Deferred Inflows of Resources	10	-	-	-	-	10
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	4,316
Restricted	-	-	-	-	-	45,576
Committed	18,805	1,011	-	50,338	-	78,710
Unassigned	-	-	-	-	-	70,919
Total fund balances (deficits)	18,805	1,011	-	50,338	-	199,521
Total liabilities, deferred inflows and fund balances (deficits)	$ 23,621	$ 1,011	$ -	$ 62,907	$ (8,364)	$ 866,584

State of Illinois
Department of Human Services
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2019 (Expressed in Thousands)

	General Revenue 0001	Illinois Veterans' Rehabilitation 0036	Special Olympics Illinois and Special Children's Charities 0073	Home Services Medicaid Trust 0120	Community Developmental Disabilities Services Medicaid Trust 0142	CMS vs AFSCME Wages Trust 0168	Care Provider Fund for Persons with a Developmental Disability 0344
REVENUES							
Federal operating grants, net of refunds	$ 317,440	$ -	$ -	$ 226,397	$ 38,629	$ -	$ -
Licenses and fees, net of refunds	107	-	-	-	-	-	-
Interest and investment income	-	-	3	1,848	1,308	-	-
Other charges for services, net of refunds	127	-	-	-	-	-	-
Other operating grants	3	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-
Other revenues, net of refunds	(331)	-	-	-	-	-	-
Total revenues	317,346	-	3	228,245	39,937	-	-
EXPENDITURES							
Health and social services	4,076,821	2,481	818	246,532	73,039	-	27,479
Debt service - principal	420	-	-	32	-	-	-
Debt service - interest	756	-	-	19	-	-	-
Capital outlays	38,073	-	-	68	-	-	-
Total expenditures	4,116,070	2,481	818	246,651	73,039	-	27,479
Excess (deficiency) of revenues over (under) expenditures	(3,798,724)	(2,481)	(815)	(18,406)	(33,102)	-	(27,479)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	4,610,223	-	-	-	-	-	45,000
Lapsed appropriations	(308,984)	-	-	-	-	-	(17,856)
Receipts collected and transmitted to State Treasury	(195,410)	-	-	-	-	-	-
Amount of SAMS transfers-in	(69,650)	-	-	-	-	-	-
Amount of SAMS transfers-out	2,382	-	-	-	-	-	-
Transfers-in	66	5,160	1,186	1	-	-	-
Transfers-out	(117,441)	-	-	-	-	-	-
Capital lease and installment purchase financing	503	-	-	68	-	-	-
Net other sources (uses) of financial resources	3,921,689	5,160	1,186	69	-	-	27,144
Net change in fund balances	122,965	2,679	371	(18,337)	(33,102)	-	(335)
Fund balances (deficits), July 1, 2018	(46,250)	5,877	320	26,526	69,798	(140)	(176)
Increase (decrease) for change in inventories	(829)	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 75,886	$ 8,556	$ 691	$ 8,189	$ 36,696	$ (140)	$ (511)

(Continued)

State of Illinois
Department of Human Services
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718	Eliminations	Total
REVENUES						
Federal operating grants, net of refunds	$ 2,928	$ -	$ -	$ 44,204	$ -	$ 629,598
Licenses and fees, net of refunds	-	-	-	-	-	107
Interest and investment income	249	-	-	930	-	4,338
Other charges for services, net of refunds	-	-	-	-	-	127
Other operating grants	-	-	-	-	-	3
Other taxes	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	-	(331)
Total revenues	3,177	-	-	45,134	-	633,842
EXPENDITURES						
Health and social services	26,029	(4,138)	(1)	50,946	-	4,500,006
Debt service - principal	-	-	-	-	-	452
Debt service - interest	-	-	-	-	-	775
Capital outlays	-	-	-	-	-	38,141
Total expenditures	26,029	(4,138)	(1)	50,946	-	4,539,374
Excess (deficiency) of revenues over (under) expenditures	(22,852)	4,138	1	(5,812)	-	(3,905,532)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	4,655,223
Lapsed appropriations	-	-	-	-	-	(326,840)
Receipts collected and transmitted to State Treasury	-	(3,483)	(1)	-	-	(198,894)
Amount of SAMS transfers-in	-	-	-	-	-	(69,650)
Amount of SAMS transfers-out	-	-	-	-	-	2,382
Transfers-in	20,000	-	-	-	(5,160)	21,253
Transfers-out	-	-	-	-	5,160	(112,281)
Capital lease and installment purchase financing	-	-	-	-	-	571
Net other sources (uses) of financial resources	20,000	(3,483)	(1)	-	-	3,971,764
Net change in fund balances	(2,852)	655	-	(5,812)	-	66,232
Fund balances (deficits), July 1, 2018	21,657	356	-	56,150	-	134,118
Increase (decrease) for change in inventories	-	-	-	-	-	(829)
FUND BALANCES (DEFICITS), June 30, 2019	$ 18,805	$ 1,011	$ -	$ 50,338	$ -	$ 199,521

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013	Group Home Loan Revolving 0025	Mental Health 0050	Vocational Rehabilitation 0081	Assistance to the Homeless 0100	Youth Alcoholism and Substance Abuse Prevention 0128
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	494	31	15,995	9,535	924	1,031
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	9	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	14,822	-	2,536	9,934	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	139	-	-	-
Other receivables, net	139	-	1,370	12	-	-
Loans and notes receivable, net	-	20	-	-	-	-
Due from other Department funds	-	-	11	65	-	-
Due from other State funds	-	-	773	-	1	1,198
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	2,426	-	-	-
Total assets	$ 15,455	$ 60	$ 23,250	$ 19,546	$ 925	$ 2,229
LIABILITIES						
Accounts payable and accrued liabilities	13,821	5	6,063	6,757	-	6
Due to other government - federal	7	-	8	109	-	-
Due to other government - local	563	-	-	1,401	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	61	-	82	1,119	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	59	-	34	2,671	-	-
Due to State of Illinois component units	947	-	62	253	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	9	-	-	-	-
Total liabilities	15,458	14	6,249	12,310	-	6
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	70	-	-
Total Deferred Inflows of Resources	-	-	-	70	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	2,426	-	-	-
Restricted	-	46	-	7,166	-	-
Committed	-	-	14,575	-	925	2,223
Unassigned	(3)	-	-	-	-	-
Total fund balances (deficits)	(3)	46	17,001	7,166	925	2,223
Total liabilities, deferred inflows and fund balances (deficits)	$ 15,455	$ 60	$ 23,250	$ 19,546	$ 925	$ 2,229

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Survivors Human Trafficking 0132	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	5	6,557	669	36	45	6,807
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	1,744	179	-	-	1,825
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	-	893
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	12	1	-	-	12
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	536
Due from other State funds	-	-	-	-	-	574
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 5	$ 8,313	$ 849	$ 36	$ 45	$ 10,647
LIABILITIES						
Accounts payable and accrued liabilities	-	12	470	-	-	109
Due to other government - federal	-	1	-	-	-	-
Due to other government - local	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	9	-	-	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	-	-	-	-	2
Due to State of Illinois component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	1,744	179	-	-	1,825
Total liabilities	-	1,766	649	-	-	1,936
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	5	-	200	36	45	-
Committed	-	6,547	-	-	-	8,711
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	5	6,547	200	36	45	8,711
Total liabilities, deferred inflows and fund balances (deficits)	$ 5	$ 8,313	$ 849	$ 36	$ 45	$ 10,647

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Autism Research Check-off 0228	**Drunk and Drugged Driving Prevention 0276**	**Federal National Community Services 0343**	**Employment and Training 0347**	**Drug Treatment 0368**	**Sexual Assault Services 0389**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	4	111	333	946	473	180
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	1	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	52,695	-	-
Due from other government - local	-	-	-	-	171	5
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	-	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	5	-	-	7	-
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 5	$ 116	$ 333	$ 53,641	$ 651	$ 185
LIABILITIES						
Accounts payable and accrued liabilities	-	180	-	51,613	360	100
Due to other government - federal	-	2	-	-	-	-
Due to other government - local	-	1	-	324	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	18	-	-	-	-
Due to other Department funds	-	-	333	-	-	-
Due to other State funds	-	-	-	1,676	-	-
Due to State of Illinois component units	-	-	-	28	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	1	-	-	-	-	-
Total liabilities	1	201	333	53,641	360	100
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	429	-	-
Total Deferred Inflows of Resources	-	-	-	429	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	4	-	-	-	-	-
Committed	-	-	-	-	291	85
Unassigned	-	(85)	-	(429)	-	-
Total fund balances (deficits)	4	(85)	-	(429)	291	85
Total liabilities, deferred inflows and fund balances (deficits)	$ 5	$ 116	$ 333	$ 53,641	$ 651	$ 185

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	**Autism Care 0399**	**DHS Special Purposes Trust 0408**	**Autism Awareness 0458**	**Old Age Survivors Insurance 0495**	**Early Intervention Services Revolving 0502**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	3,257	39	71,938	8	1,439	6,774
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	879	-	-	-	-	1,428
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	110,998	-	1,997	7,759
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	6	-	184	-	-	372
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	3,369
Due from other State funds	-	-	-	-	-	73
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 4,142	$ 39	$ 183,120	$ 8	$ 3,436	$ 19,775
LIABILITIES						
Accounts payable and accrued liabilities	-	-	15,101	-	1,824	16,713
Due to other government - federal	3,263	-	16	-	84	2
Due to other government - local	-	-	872	-	2	1,374
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	143	-	830	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	-	1,452	-	696	73
Due to State of Illinois component units	-	-	3,682	7	-	473
Unearned revenue	-	-	784	-	-	4,087
Obligations under securities lending of State Treasurer	879	-	-	-	-	1,428
Total liabilities	4,142	-	22,050	7	3,436	24,150
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	628
Total Deferred Inflows of Resources	-	-	-	-	-	628
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	39	161,070	1	-	-
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(5,003)
Total fund balances (deficits)	-	39	161,070	1	-	(5,003)
Total liabilities, deferred inflows and fund balances (deficits)	$ 4,142	$ 39	$ 183,120	$ 8	$ 3,436	$ 19,775

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	DHS Community Services 0509	Domestic Violence Abuser Services 0528	Juvenile Accountability Incentive Block Grant 0581	DHS Federal Projects 0592	Special Olympics Illinois 0623	DHS State Projects 0642
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	23,697	127	-	3,300	7	2,422
Cash and cash equivalents	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	3,903	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	1,781	-	-	3,226	-	-
Due from other government - local	-	2	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	27	-	-	28	-	146
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	2,649	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 32,057	$ 129	$ -	$ 6,554	$ 7	$ 2,568
LIABILITIES						
Accounts payable and accrued liabilities	1,731	-	-	3,012	6	1,162
Due to other government - federal	-	-	-	1	-	-
Due to other government - local	-	-	-	449	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	3	-	-
Due to other Department funds	-	-	-	-	-	1,327
Due to other State funds	-	-	-	204	-	39
Due to State of Illinois component units	-	-	-	935	-	-
Unearned revenue	-	-	-	1,581	1	40
Obligations under securities lending of State Treasurer	3,903	-	-	-	-	-
Total liabilities	5,634	-	-	6,185	7	2,568
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,731	-	-	510	-	-
Total Deferred Inflows of Resources	1,731	-	-	510	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	24,692	129	-	-	-	-
Unassigned	-	-	-	(141)	-	-
Total fund balances (deficits)	24,692	129	-	(141)	-	-
Total liabilities, deferred inflows and fund balances (deficits)	$ 32,057	$ 129	$ -	$ 6,554	$ 7	$ 2,568

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Alcoholism and Substance Abuse 0646	**DHS Private Resources 0690**	**U.S.D.A. Women Infants and Children 0700**	**Hunger Relief 0706**	**Tobacco Settlement Recovery 0733**	**Thriving Youth Income Tax Checkoff 0752**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ 586	$ -
Cash deposited with State Treasurer	698	2,021	3,098	153	-	65
Cash and cash equivalents	-	-	6,373	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	6	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	6,214	-	66	-	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	9,978	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	4	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 6,912	$ 2,021	$ 19,519	$ 159	$ 586	$ 65
LIABILITIES						
Accounts payable and accrued liabilities	6,021	132	8,340	-	74	-
Due to other government - federal	1	-	5	-	3	-
Due to other government - local	642	-	2,741	-	497	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	50	-	3	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	4	-	116	-	9	-
Due to State of Illinois component units	35	-	40	-	-	-
Unearned revenue	209	1,889	8,227	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	6	-	-
Total liabilities	6,912	2,021	19,519	6	586	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	153	-	65
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	-	-	-	153	-	65
Total liabilities, deferred inflows and fund balances (deficits)	$ 6,912	$ 2,021	$ 19,519	$ 159	$ 586	$ 65

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Local Initiative 0762	**Rehabilitation Services Elementary and Secondary Education Act 0798**	**Grant V. Dimas Escrow 0818**	**Farmer's Market Technology Improvement 0864**	**Domestic Violence Shelter and Service 0865**	**Maternal and Child Health Services Block Grant 0872**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	6,190	778	1,278	-	760	-
Cash and cash equivalents	-	4	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	-	-
Due from other government - local	-	-	-	-	27	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	11	-	57	-	-	2
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	102	-	-	17	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 6,201	$ 884	$ 1,335	$ -	$ 804	$ 2
LIABILITIES						
Accounts payable and accrued liabilities	2,273	43	-	-	47	-
Due to other government - federal	2	-	-	-	-	-
Due to other government - local	468	-	-	-	16	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	18	-	-	-	-	-
Due to other Department funds	3,236	-	1,335	-	-	-
Due to other State funds	71	-	-	-	-	-
Due to State of Illinois component units	133	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	6,201	43	1,335	-	63	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	841	-	-	-	2
Committed	-	-	-	-	741	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	-	841	-	-	741	2
Total liabilities, deferred inflows and fund balances (deficits)	$ 6,201	$ 884	$ 1,335	$ -	$ 804	$ 2

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Community Mental Health Services Block Grant 0876	**Youth Drug Abuse Prevention 0910**	**Juvenile Justice Trust 0911**	**DHS Recoveries Trust 0921**	**DHS Other Special Trusts 1139**	**DHS Commissary 1140**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	288	516	832	10,493	-	-
Cash and cash equivalents	-	-	-	-	312	9
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	-	481	-
Due from other government - federal	53	-	13	-	24	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	90	-	-	114,106	4	-
Loans and notes receivable, net	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
Due from other State funds	-	-	12	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 431	$ 516	$ 857	$ 124,599	$ 821	$ 9
LIABILITIES						
Accounts payable and accrued liabilities	424	-	95	560	-	-
Due to other government - federal	1	-	-	56,618	-	-
Due to other government - local	-	-	51	26	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	6	-	2	180	-	-
Due to other Department funds	-	-	-	536	-	1
Due to other State funds	-	-	18	309	-	-
Due to State of Illinois component units	-	-	38	-	-	-
Unearned revenue	-	-	653	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	431	-	857	58,229	-	1
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	112,459	-	-
Total Deferred Inflows of Resources	-	-	-	112,459	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	821	8
Committed	-	516	-	-	-	-
Unassigned	-	-	-	(46,089)	-	-
Total fund balances (deficits)	-	516	-	(46,089)	821	8
Total liabilities, deferred inflows and fund balances (deficits)	$ 431	$ 516	$ 857	$ 124,599	$ 821	$ 9

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Special Revenue				Permanent	
	DHS Rehabilitation 1144	**DHS/DORS Special Revenue 1149**	**Food Stamp and Commodity 1245**	**Vending Facility Program for the Blind 1385**	**DHS/DORS Permanent Trust 1150**	**Burr Bequest 1272**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash deposited with State Treasurer	-	-	-	-	-	-
Cash and cash equivalents	68	167	-	207	188	67
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Investments	-	-	-	-	257	945
Due from other government - federal	-	-	-	-	-	-
Due from other government - local	-	21	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	-	57	-	2
Loans and notes receivable, net	-	-	-	409	-	-
Due from other Department funds	-	258	-	-	-	-
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	$ 68	$ 446	$ -	$ 673	$ 445	$ 1,014
LIABILITIES						
Accounts payable and accrued liabilities	4	13	-	18	-	-
Due to other government - federal	1	-	-	-	-	-
Due to other government - local	-	-	-	-	-	-
Due to other Department fiduciary funds	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	145	-
Due to other State funds	-	-	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Total liabilities	5	13	-	18	145	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	160	945
Restricted	63	433	-	655	140	69
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	63	433	-	655	300	1,014
Total liabilities, deferred inflows and fund balances (deficits)	$ 68	$ 446	$ -	$ 673	$ 445	$ 1,014

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019 (Expressed in Thousands)

	Eliminations	Total
ASSETS		
Unexpended appropriations	$ -	$ 586
Cash deposited with State Treasurer	-	184,354
Cash and cash equivalents	-	7,395
Securities lending collateral equity with State Treasurer	-	9,974
Investments	-	1,683
Due from other government - federal	-	213,011
Due from other government - local	-	226
Taxes receivable, net	-	139
Other receivables, net	-	126,616
Loans and notes receivable, net	-	429
Due from other Department funds	(681)	3,570
Due from other State funds	-	5,399
Due from State of Illinois component units	-	4
Inventories	-	2,426
Total assets	$ (681)	$ 555,812
LIABILITIES		
Accounts payable and accrued liabilities	-	137,089
Due to other government - federal	-	60,124
Due to other government - local	-	9,427
Due to other Department fiduciary funds	-	-
Due to other State fiduciary funds	-	2,524
Due to other Department funds	(681)	6,232
Due to other State funds	-	7,433
Due to State of Illinois component units	-	6,633
Unearned revenue	-	17,471
Obligations under securities lending of State Treasurer	-	9,974
Total liabilities	(681)	256,907
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	115,827
Total Deferred Inflows of Resources	-	115,827
FUND BALANCES (DEFICITS)		
Nonspendable	-	3,531
Restricted	-	171,862
Committed	-	59,435
Unassigned	-	(51,750)
Total fund balances (deficits)	-	183,078
Total liabilities, deferred inflows and fund balances (deficits)	$ (681)	$ 555,812

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013	Group Home Loan Revolving 0025	Mental Health 0050	Vocational Rehabilitation 0081	Assistance to the Homeless 0100	Youth Alcoholism and Substance Abuse Prevention 0128
REVENUES						
Federal operating grants, net of refunds	$ 49,364	$ -	$ -	$ 109,754	$ -	$ -
Licenses and fees, net of refunds	-	-	-	-	-	2,416
Interest and investment income	-	1	-	-	-	-
Other charges for services, net of refunds	-	-	26,022	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	637	-	-	-
Other revenues, net of refunds	-	-	-	6	272	-
Total revenues	49,364	1	26,659	109,760	272	2,416
EXPENDITURES						
Health and social services	49,364	3	38,595	115,364	(4)	2,047
Debt service - principal	-	-	-	66	-	-
Debt service - interest	-	-	-	41	-	-
Capital outlays	-	-	15	637	-	-
Total expenditures	49,364	3	38,610	116,108	(4)	2,047
Excess (deficiency) of revenues over (under) expenditures	-	(2)	(11,951)	(6,348)	276	369
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	110	-	-
Transfers-out	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	131	-	-
Net other sources (uses) of financial resources	-	-	-	241	-	-
Net change in fund balances	-	(2)	(11,951)	(6,107)	276	369
Fund balances (deficits), July 1, 2018	(3)	48	29,325	13,273	649	1,854
Decrease for changes in inventories	-	-	(373)	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ (3)	$ 46	$ 17,001	$ 7,166	$ 925	$ 2,223

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Survivors Human Trafficking 0132	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211
REVENUES						
Federal operating grants, net of refunds	$ -	$ -	$ -	$ -	$ -	$ 7,024
Licenses and fees, net of refunds	-	1,890	-	-	-	-
Interest and investment income	-	121	9	-	-	141
Other charges for services, net of refunds	-	-	420	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	3	-	-	-	-	-
Total revenues	3	2,011	429	-	-	7,165
EXPENDITURES						
Health and social services	-	581	470	-	-	5,882
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	-	581	470	-	-	5,882
Excess (deficiency) of revenues over (under) expenditures	3	1,430	(41)	-	-	1,283
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-
Net change in fund balances	3	1,430	(41)	-	-	1,283
Fund balances (deficits), July 1, 2018	2	5,117	241	36	45	7,428
Decrease for changes in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 5	$ 6,547	$ 200	$ 36	$ 45	$ 8,711

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Autism Research Check-off 0228	Drunk and Drugged Driving Prevention 0276	Federal National Community Services 0343	Employment and Training 0347	Drug Treatment 0368	Sexual Assault Services 0389
REVENUES						
Federal operating grants, net of refunds	$ -	$ -	$ -	$ 376,541	$ -	$ -
Licenses and fees, net of refunds	-	1,403	-	-	-	-
Interest and investment income	-	-	-	-	-	-
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	2,770	68
Total revenues	-	1,403	-	376,541	2,770	68
EXPENDITURES						
Health and social services	-	1,618	-	373,631	2,527	100
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	-	1,618	-	373,631	2,527	100
Excess (deficiency) of revenues over (under) expenditures	-	(215)	-	2,910	243	(32)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	130	-	-	-	-
Transfers-out	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	130	-	-	-	-
Net change in fund balances	-	(85)	-	2,910	243	(32)
Fund balances (deficits), July 1, 2018	4	-	-	(3,339)	48	117
Decrease for changes in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 4	$ (85)	$ -	$ (429)	$ 291	$ 85

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	**Autism Care 0399**	**DHS Special Purposes Trust 0408**	**Autism Awareness 0458**	**Old Age Survivors Insurance 0495**	**Early Intervention Services Revolving 0502**
REVENUES						
Federal operating grants, net of refunds	$ (77)	$ -	$ 394,385	$ -	$ 72,015	$ 63,210
Licenses and fees, net of refunds	-	-	-	21	-	4,846
Interest and investment income	70	-	-	1	-	117
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	25	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	-	(187)
Total revenues	(7)	-	394,410	22	72,015	67,986
EXPENDITURES						
Health and social services	(7)	-	320,052	50	72,009	170,946
Debt service - principal	-	-	2	-	3	-
Debt service - interest	-	-	2	-	3	-
Capital outlays	-	-	7	-	-	-
Total expenditures	(7)	-	320,063	50	72,015	170,946
Excess (deficiency) of revenues over (under) expenditures	-	-	74,347	(28)	-	(102,960)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	96,692
Transfers-out	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	7	-	-	-
Net other sources (uses) of financial resources	-	-	7	-	-	96,692
Net change in fund balances	-	-	74,354	(28)	-	(6,268)
Fund balances (deficits), July 1, 2018	-	39	86,716	29	-	1,265
Decrease for changes in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ -	$ 39	$ 161,070	$ 1	$ -	$ (5,003)

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue			
	DHS Community Services 0509	Domestic Violence Abuser Services 0528	Juvenile Accountability Incentive Block Grant 0581	DHS Federal Projects 0592
REVENUES				
Federal operating grants, net of refunds	$ 11,381	$ -	$ -	$ 16,256
Licenses and fees, net of refunds	-	-	-	-
Interest and investment income	266	-	-	-
Other charges for services, net of refunds	-	-	-	-
Other operating grants, net of refunds	-	-	-	137
Other taxes, net of refunds	-	-	-	-
Other revenues, net of refunds	-	25	-	-
Total revenues	11,647	25	-	16,393
EXPENDITURES				
Health and social services	19,252	-	-	16,085
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	19,252	-	-	16,085
Excess (deficiency) of revenues over (under) expenditures	(7,605)	25	-	308
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	-	-
Lapsed appropriations	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-
Transfers-in	14,750	-	-	-
Transfers-out	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-
Net other sources (uses) of financial resources	14,750	-	-	-
Net change in fund balances	7,145	25	-	308
Fund balances (deficits), July 1, 2018	17,547	104	-	(449)
Decrease for changes in inventories	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 24,692	$ 129	$ -	$ (141)

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue				
	Special Olympics Illinois 0623	**DHS State Projects 0642**	**Alcoholism and Substance Abuse 0646**	**DHS Private Resources 0690**	**U.S.D.A. Women Infants and Children 0700**
REVENUES					
Federal operating grants, net of refunds	$ -	$ -	$ 28,436	$ -	$ 167,463
Licenses and fees, net of refunds	16	-	-	-	-
Interest and investment income	-	-	-	-	-
Other charges for services, net of refunds	-	-	-	-	-
Other operating grants, net of refunds	-	-	152	-	-
Other taxes, net of refunds	-	-	-	-	-
Other revenues, net of refunds	-	-	-	133	-
Total revenues	16	-	28,588	133	167,463
EXPENDITURES					
Health and social services	18	-	25,162	133	167,461
Debt service - principal	-	-	-	-	1
Debt service - interest	-	-	-	-	1
Capital outlays	-	-	-	-	3
Total expenditures	18	-	25,162	133	167,466
Excess (deficiency) of revenues over (under) expenditures	(2)	-	3,426	-	(3)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-
Transfers-in	-	-	-	-	-
Transfers-out	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	3
Net other sources (uses) of financial resources	-	-	-	-	3
Net change in fund balances	(2)	-	3,426	-	-
Fund balances (deficits), July 1, 2018	2	-	(3,426)	-	-
Decrease for changes in inventories	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ -	$ -	$ -	$ -	$ -

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue						
	Hunger Relief 0706	**Tobacco Settlement Recovery 0733**	**Thriving Youth Income Tax Checkoff 0752**	**Local Initiative 0762**	**Rehabilitation Services Elementary and Secondary Education Act 0798**	**Grant V. Dimas Escrow 0818**	**Farmer's Market Technology Improvement 0864**
REVENUES							
Federal operating grants, net of refunds	$ -	$ -	$ -	$ 19,672	$ 325	$ -	$ -
Licenses and fees, net of refunds	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	564	-
Other charges for services, net of refunds	-	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-	-
Other revenues, net of refunds	153	376	4	-	378	-	-
Total revenues	153	376	4	19,672	703	564	-
EXPENDITURES							
Health and social services	-	1,941	-	19,672	677	32,024	-
Debt service - principal	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	7	-	-
Total expenditures	-	1,941	-	19,672	684	32,024	-
Excess (deficiency) of revenues over (under) expenditures	153	(1,565)	4	-	19	(31,460)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	4,189	-	-	-	-	-
Lapsed appropriations	-	(2,248)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(376)	-	-	-	-	-
Transfers-in	-	-	-	-	-	15,445	-
Transfers-out	-	-	-	-	-	(57)	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	1,565	-	-	-	15,388	-
Net change in fund balances	153	-	4	-	19	(16,072)	-
Fund balances (deficits), July 1, 2018	-	-	61	-	822	16,072	-
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 153	$ -	$ 65	$ -	$ 841	$ -	$ -

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue			
	Domestic Violence Shelter and Service 0865	**Maternal and Child Health Services Block Grant 0872**	**Community Mental Health Services Block Grant 0876**	**Youth Drug Abuse Prevention 0910**
REVENUES				
Federal operating grants, net of refunds	$ -	$ -	$ 23,119	$ -
Licenses and fees, net of refunds	-	-	-	-
Interest and investment income	-	-	-	-
Other charges for services, net of refunds	-	-	-	-
Other operating grants, net of refunds	-	-	-	-
Other taxes, net of refunds	-	-	-	-
Other revenues, net of refunds	428	-	90	274
Total revenues	428	-	23,209	274
EXPENDITURES				
Health and social services	532	3	23,209	577
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	532	3	23,209	577
Excess (deficiency) of revenues over (under) expenditures	(104)	(3)	-	(303)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	9,904	-	-
Lapsed appropriations	-	(9,901)	-	-
Receipts collected and transmitted to State Treasury	-	(1,060)	-	-
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-
Net other sources (uses) of financial resources	-	(1,057)	-	-
Net change in fund balances	(104)	(1,060)	-	(303)
Fund balances (deficits), July 1, 2018	845	1,062	-	819
Decrease for changes in inventories	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ 741	$ 2	$ -	$ 516

(Continued)

State of Illinois
Department of Human Services
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue					
	Juvenile Justice Trust 0911	**DHS Recoveries Trust 0921**	**DHS Other Special Trusts 1139**	**DHS Commissary 1140**	**DHS Rehabilitation 1144**	**DHS/DORS Special Revenue 1149**
REVENUES						
Federal operating grants, net of refunds	$ 1,244	$ -	$ 272	$ -	$ -	$ -
Licenses and fees, net of refunds	-	-	-	-	-	-
Interest and investment income	-	-	9	-	-	-
Other charges for services, net of refunds	-	16,401	-	49	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	-	337	-	246	299
Total revenues	1,244	16,401	618	49	246	299
EXPENDITURES						
Health and social services	1,244	16,954	700	39	239	331
Debt service - principal	-	1	-	-	-	-
Debt service - interest	-	1	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	1,244	16,956	700	39	239	331
Excess (deficiency) of revenues over (under) expenditures	-	(555)	(82)	10	7	(32)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	3
Transfers-out	-	-	(2)	(8)	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	(2)	(8)	-	3
Net change in fund balances	-	(555)	(84)	2	7	(29)
Fund balances (deficits), July 1, 2018	-	(45,534)	905	6	56	462
Decrease for changes in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2019	$ -	$ (46,089)	$ 821	$ 8	$ 63	$ 433

(Continued)

State of Illinois
Department of Human Services

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

For the Year Ended June 30, 2019 (Expressed in Thousands)

	Special Revenue		Permanent			
	Food Stamp and Commodity 1245	**Vending Facility Program for the Blind 1385**	**DHS/DORS Permanent Trust 1150**	**Burr Bequest 1272**	**Eliminations**	**Total**
REVENUES						
Federal operating grants, net of refunds	$ 2,679,538	$ -	$ -	$ -	$ -	$ 4,019,922
Licenses and fees, net of refunds	-	-	-	-	-	10,592
Interest and investment income	-	-	12	23	-	1,334
Other charges for services, net of refunds	-	-	-	-	-	42,892
Other operating grants, net of refunds	-	-	-	-	-	314
Other taxes, net of refunds	-	-	-	-	-	637
Other revenues, net of refunds	-	444	16	-	-	6,135
Total revenues	2,679,538	444	28	23	-	4,081,826
EXPENDITURES						
Health and social services	2,679,538	311	1	9	-	4,159,340
Debt service - principal	-	-	-	-	-	73
Debt service - interest	-	-	-	-	-	48
Capital outlays	-	-	-	-	-	669
Total expenditures	2,679,538	311	1	9	-	4,160,130
Excess (deficiency) of revenues over (under) expenditures	-	133	27	14	-	(78,304)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	14,093
Lapsed appropriations	-	-	-	-	-	(12,149)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	(1,436)
Transfers-in	-	-	-	-	(110)	127,020
Transfers-out	-	(110)	-	-	110	(67)
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-
Transfer of administration of funds from other state agencies	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	141
Net other sources (uses) of financial resources	-	(110)	-	-	-	127,602
Net change in fund balances	-	23	27	14	-	49,298
Fund balances (deficits), July 1, 2018	-	632	273	1,000	-	134,153
Decrease for changes in inventories	-	-	-	-	-	(373)
FUND BALANCES (DEFICITS), June 30, 2019	$ -	$ 655	$ 300	$ 1,014	$ -	$ 183,078

State of Illinois
Department of Human Services
Combining Statement of Fiduciary Net Position - Agency Funds
June 30, 2019 (Expressed in Thousands)

	Agency				
	Electronic Benefits Transfers 0540	Social Services Block Grant 0935	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
ASSETS					
Cash and cash equivalents	$ -	$ -	$ 2,138	$ -	$ 2,138
Investments	-	-	880	-	880
Due from other government - federal	-	-	29	-	29
Other receivables, net	-	-	3	-	3
Due from other Department funds	-	-	-	26	26
Total assets	$ -	$ -	$ 3,050	$ 26	$ 3,076
LIABILITIES					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 26	$ 26
Other liabilities	-	-	3,050	-	3,050
Total liabilities	$ -	$ -	$ 3,050	$ 26	$ 3,076

State of Illinois
Department of Human Services
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2019 (Expressed in Thousands)

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Electronic Benefits Transfers (0540)				
ASSETS				
Cash equity with State Treasurer	$ -	$ 119,824	$ 119,824	$ -
Total assets	$ -	$ 119,824	$ 119,824	$ -
LIABILITIES				
Accounts payable and accrued liabilities	-	119,824	119,824	-
Total liabilities	$ -	$ 119,824	$ 119,824	$ -
Social Services Block Grant (0935)				
ASSETS				
Cash equity with State Treasurer	$ -	$ -	$ -	$ -
Total assets	$ -	$ -	$ -	$ -
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	-
Total liabilities	$ -	$ -	$ -	$ -
DHS Resident's Trust (1143)				
ASSETS				
Cash and cash equivalents	$ 2,067	$ 15,395	$ 15,324	$ 2,138
Investments	920	-	40	880
Due from other government - federal	28	146	145	29
Other Receivables, net	-	3	-	3
Total assets	$ 3,015	$ 15,544	$ 15,509	$ 3,050
LIABILITIES				
Other liabilities	$ 3,015	$ 15,544	$ 15,509	$ 3,050
Total liabilities	$ 3,015	$ 15,544	$ 15,509	$ 3,050
DHS/DORS Agency (1147)				
ASSETS				
Cash and cash equivalents	$ -	$ 281	$ 281	$ -
Due from other Department funds	36	80	90	26
Total assets	$ 36	$ 361	$ 371	$ 26
LIABILITIES				
Accounts payable and accrued liabilities	$ 36	$ 361	$ 371	$ 26
Total liabilities	$ 36	$ 361	$ 371	$ 26
Total - All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 2,067	$ 135,500	$ 135,429	$ 2,138
Investments	920	-	40	880
Due from other government - federal	28	146	145	29
Due from other Department funds	36	80	90	26
Other Receivables, net	-	3	-	3
Total assets	$ 3,051	$ 135,729	$ 135,704	$ 3,076
LIABILITIES				
Accounts payable and accrued liabilities	$ 36	$ 120,185	$ 120,195	$ 26
Other liabilities	3,015	15,544	15,509	3,050
Total liabilities	$ 3,051	$ 135,729	$ 135,704	$ 3,076

Independent Auditor's 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Human Services (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated April 10, 2020. Our report included the following Emphasis of Matter "As discussed in Note 2 to the financial statements, the financial statements of the Department are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2019, and the respective changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to these matters."

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2019-001 to 2019-008 and 2019-010 to 2019-012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as items 2019-001 to 2019-008, and 2019-010 to 2019-012 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2019-009 to be a significant deficiency.

State of Illinois, Department of Human Services' Responses to Findings
The Department's responses to items 2019-001 through 2019-012 are described in the accompanying schedule of findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

State of Illinois, Department of Healthcare and Family Services' Responses to Findings
The State of Illinois, Department of Healthcare and Family Services' responses to items 2019-005 through 2019-012 are described in the accompanying schedule of findings. The State of Illinois, Department of Healthcare and Family Services' responses were not subjected to the auditing procedures applied to the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
April 10, 2020

Current Findings – *Government Auditing Standards*

Finding 2019-001 Medical Assistance Program Financial Information

The Department of Human Services (Department) does not have an adequate understanding of the internal controls in place over all data recorded in its financial statements and the Department does not sufficiently review transactions initiated by other State agencies and recorded in the Department's financial statements.

During testing of the financial statements and supporting documentation, we noted the following:

- The Department could not provide documentation of the preparation or the Department's review of expenditure reconciliations for Federal Medical Assistance Program (MAP) funds (Funds 0120, 0142, 0365, 0502, 0718) between amounts reported in the Department's Consolidated Accounting and Reporting System (CARS) and amounts reported in the Grant/Contract Analysis Forms (Form SCO-563s) provided to the Comptroller's Office (IOC) which support the receivable calculation for financial reporting. The amount per the Form SCO-563s (totaling about $408 million for total reimbursable costs "TRC" for CFDA 93.778) is a computed amount (a formula), essentially the amount needed to achieve the reported receivable balance provided by the Department of Healthcare and Family Services (HFS), a separate State agency. The Department does not retain a reconciliation between what is reported on the Form SCO-563s (claimable expenditures) and within CARS (all expenditures) for each fund. Additionally, there is no documentation maintained by the Department to support the calculation and methodology used by HFS in preparing the federal receivable amount.

- During testing of expenditures and liabilities, we determined that the Department is not monitoring or reviewing the payments submitted by HFS, or the liabilities calculated by HFS, on behalf of the Department and reported in the Department's financial statements. When HFS submits a request for payment to the IOC, a summary file is also sent to the Department which goes through an interface and is recorded into CARS. An employee in the Department's Fiscal Services Bureau reconciles the payments between CARS and the IOC before accepting them into CARS. However, the Department has not obtained and documented a detailed understanding of how its transactions are processed within HFS, the controls in place over those transactions, monitoring performed by HFS, exceptions noted by HFS through its monitoring activities, and how exceptions and control deficiencies are addressed by HFS and communicated to the Department. We selected and tested multiple expenditures and liabilities initially processed by HFS. Currently, the Department receives summarized information from HFS and records the transactions into CARS and the GAAP packages without performing sufficient procedures to determine the accuracy of the information.

A good system of internal control requires that management review all significant accounts and balances recorded in the financial statements for accuracy, which includes transactions initiated by other State agencies.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to 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.

Current Findings – *Government Auditing Standards*

Finding 2019-001 Medical Assistance Program Financial Information (Continued)

Department management indicated they have not performed a detailed review or analysis of the system used by HFS to accumulate information reported in the Department's Funds that report Medical program transactions and balances, and instead they have placed a significant amount of reliance on information that is easily assessable such as HFS audit and examination reports.

Lack of sufficient control over transactions and balances recorded in the Department's financial statements increases the likelihood of misstatements. (Finding Code No. 2019-001, 2018-001, 2017-002)

Recommendation

We recommend the Department assume more responsibility for the transactions and balances reported in its financial statements that are initiated/estimated by other State agencies, including the following:

- The Department should work with management of HFS to gain a detailed understanding of the internal control system established over Department transactions and reporting, and enter into an interagency agreement with HFS that details the responsibilities of each agency and how this will be monitored. Subsequently, on a regular basis, the Department should determine if the control system and related monitoring is sufficient to prevent and detect significant financial statement errors..

Expenditure and accrual amounts provided by HFS in connection with year-end reporting of Federal MAP receivables should be reconciled to CARS or agreed to reports and source data compiled by HFS.

Department Response

The Department of Human Services (DHS) accepts the recommendation. DHS will prepare documentation, at a high level, of HFS' internal controls over Department transactions and institute annual monitoring. DHS will implement a process to verify data provided by HFS is reconciled to source data.

Current Findings – *Government Auditing Standards*

Finding 2019-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers

The Department of Human Services (Department) did not obtain independent internal control reviews over its third-party service providers.

During the audit period, the Department identified ten third-party service providers (TPP) which provided various services. Additionally, the Department determined five of the TPPs provided services which were material to their financial reporting process.

The services these five TPPs provided were:

- Processing of negotiable food instruments (WIC program) – TPP validates food instruments by performing data entry and system edits that either allow payment or cause return of the food instrument to the bank of first deposit. The TPP processed approximately $160 million in WIC vouchers during the audit period.
- Home Based Services (developmental disabilities program) – TPP processes timesheets for home based service workers, pays the workers, and files the related payroll tax returns. The TPP processed approximately $150 million of transactions during the audit period.
- Provider claims processing for the Early Intervention (EI) program – TPP receives, reviews and approves claims from Providers, and provides claims data to the Department for payment. Approximately $128 million in claims was approved for payment to the TPP during the audit period. The TPP also bills EI participants for their family participation fee (approximately $5 million) and bills Medicaid for qualified services provided to EI participants (approximately $41 million).
- Electronic visit verification system for the Home Services program (HSP) personnel – The TPP processed approximately $571 million of transactions during the audit period.
- Processing of SNAP and cash assistance benefits for the Illinois LINK program– The TPP processed approximately $2.7 billion of transactions during the audit period.

During our testing, we noted the Department did not obtain a System Organization and Control (SOC) examination, SOC 1 Type 2, report for the first three of the five TPPs listed above, which are material to the Department's financial reporting process. Due to the lack of suitable SOC reports, we were unable to determine if these three TPP's internal controls were adequate or if they utilized subservice providers which should be assessed.

In addition, for the two SOC reports received, we noted:

- For the TPP which processes SNAP benefits (Electronic Benefit Transfer "EBT" of food stamps), the Independent Service Auditor issued a qualified opinion for the second year in a row. The qualification was due to insufficient internal controls related to the control objectives: logical access to programs, data and computer resources; controls over the configurations and protection of network infrastructure; controls over application and system processing; and controls over the monitoring of disputes between EBT participants and retailers concerning errors in their EBT accounts. The TPP processed approximately $2.7 billion in SNAP benefits during the audit period.

- Department management indicated they had not performed any monitoring of the TPP and did not assess the impact of the control deficiencies on the Department's internal controls over their financial reporting processes, the Department's compliance with the provisions of laws, regulations and grant agreements, or the potential impact on the Department's SNAP clients because of recent turnover in the Illinois Link /EBT Program Director position.

Current Findings – *Government Auditing Standards*

Finding 2019-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

For the second SOC 1 Type 2 report received, the report had an unmodified opinion (provision of the electronic verification system for the Home Service personnel). However, the Department was unable to provide documentation supporting they had reviewed the report and concluded as to whether any follow up or further action was warranted.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to 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.

The industry standard for understanding business processes, internal controls, and the suitability and operating effectiveness of internal controls provided by a TPP is through obtaining a SOC 1 Type 2 report. A SOC 1 Type 2 report provides:

a. TPP management's description of the service organization's system;

b. A written assertion by TPP management about whether in all material respects and, based on suitable criteria, including:
   i. TPP management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period,
   ii. the controls related to the control objectives stated in TPP management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives, and, the controls related to the control objectives stated in TPP management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives; and,
c. An Independent Service Auditor's report that:
   i. expresses an opinion on the matters in b (i–ii), and
   ii. includes a description of the service auditor's tests of controls and the results thereof.

In the prior year, Department management indicated that SOC 2 Type 2 reports were provided by the WIC TPP, instead of the previously provided SOC 1 Type 2 report. Department management believed the SOC 2 Type 2 reports would be sufficient for purposes of reviewing internal controls over the TPP's control environment related to financial reporting. In the current year, Department management indicted the deficiency noted was due to changes in personnel. For the TPPs for which the Department did not obtain any SOC report, management indicated the Request for Procurement and contract did not contain language requiring a SOC 1 Type 2 report to be provided due to employee oversight.

Current Findings – *Government Auditing Standards*

Finding 2019-002 Lack of Adequate Controls over the Review of Internal Controls over Service Providers (Continued)

Without obtaining, reviewing, and monitoring a SOC 1 Type 2 report, or another form of independent internal control review, the Department does not have assurance the TPPs' or any subservice organizations' internal controls are adequate to ensure program activities that result in transactions recorded in the Department's financial statements are complete and accurate.

Additionally, the Department is not able to ensure that confidential and sensitive program data is adequately secured. (Finding Code No. 2019-002, 2018-003, 2017-005)

Recommendation

We recommend the Department obtain SOC 1 Type 2 reports, or perform independent reviews of internal control associated with TPPs, at least annually. The independent reviews should include an assessment of the following five key system attributes, as applicable:

- Security - The system is protected against both physical and logical unauthorized access.
- Availability - The system is available for operation and use as committed or agreed.
- Processing integrity - System processing is complete, accurate, timely and authorized.
- Confidentiality - Information designated as confidential is protected as committed or agreed.
- Privacy - Personal information is collected, used, retained, disclosed, and disposed of in conformity with Department requirements.

An independent review should also encompass the design and effectiveness of controls over the processing of Department transactions for food instruments (WIC), Early Intervention and Home Based Services. When SOC 1 Type 2 reports are obtained, the Department should perform a timely review of the reports, assess the effect of any noted modifications to the opinion and deficiencies, and identify and implement any compensating controls. The Department's reviews and corrective actions taken by the TPP should be documented and maintained. In addition, the Department should perform an analysis to determine the need to obtain information as to any subservice organization's internal controls and perform reviews as needed.

Department Response

The Department of Human Services (DHS) accepts the recommendation. DHS agrees that internal controls associated with external party service providers should be strengthened to include:

- Ensuring all external service providers are considered when compiling a service provider population;
- Request and obtain the appropriate SOC 1 Type 2 Reports from the selected service provider population on an annual basis;
- Perform annual reviews and analysis of the external service provider submitted SOC 1 Type 2 Reports;
- Communicate, record and maintain documentation of all corrective action taken by the service providers.

Current Findings – *Government Auditing Standards*

Finding 2019-003 Weaknesses in Preparation of Year-End Department Financial Statements

The Department of Human Services' (Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccurate information.

The Department does not have adequate controls over the completeness and accuracy of year-end financial reporting which resulted in errors in the GAAP basis financial statements and supporting schedules provided to the auditors. The Department does not perform a sufficient supervisory review of all amounts recorded in its financial statements and footnotes.

We noted the following issues while testing the year-end financial reporting process:

1. The amounts recorded for Due from Other Governments - Federal (receivable) pertaining to the Temporary Assistance to Needy Families grant (General Fund 0001) and the Vocational Rehabilitation (VR) grant (Vocational Rehabilitation Fund 0081) were understated by approximately $70.4 million and $4.3 million, respectively. An adjustment to correct the error in Fund 001 was recorded by Department management. The error in Fund 0081 was deemed immaterial by the Department and was not corrected.

2. Financial statement Note 13 *Commitments and Contingencies*, pertaining to SNAP overpayment claims was overstated when first provided to the auditors due to a formula error contained in the supporting calculation. As a result, the disclosure of the net receivable from beneficiaries was overstated by $53 million and the liability to the Federal government was overstated by $42 million. An adjustment to correct the error was recorded by Department management.

GASB Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, requires that recipients recognize voluntary nonexchange transaction receivables when all applicable eligibility requirements, including time requirements, are met. The Department's federal grants are predominantly reimbursement-type grants wherein eligibility requirements are fulfilled upon incurring qualified expenditures.

GASB Codification Section 1500: *Reporting Liabilities,* requires that contingent liabilities not requiring accrual should be disclosed in the notes to the financial statements.

A good system of internal control requires that management review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues 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 management indicated of the issues noted, the first resulted from a change in grant management that was not communicated to General Accounting and the second resulted from human error.

Current Findings – *Government Auditing Standards*

Finding 2019-003 Weaknesses in Preparation of Year-End Department Financial Statements (Continued)

Under the current process, GAAP financial reporting errors occurred that materially misstated the Department's draft financial statements. In addition, the current process could have negatively impacted the Statewide financial statements. Accurate and timely financial statements of the Department's financial information for GAAP reporting purposes is important due to the complexity of the Department and the impact adjustments have on the Statewide financial statements. (Finding Code No. 2019-003)

Recommendation

We recommend management increase the level and quality of supervisory review of year-end financial reporting including the following:

- Perform an analysis of grant receivables and revenues in total for each significant Federal award to make sure balances recorded in individual funds are accurate.
- For disclosures of estimates in the Notes to the Financial Statements, such as the contingencies note, review all supporting documentation that is used as a basis for disclosing the information.

Department Response

The Department of Human Services (DHS) accepts the recommendation. DHS will review internal procedures for enhancements to address these inaccuracies.

Current Findings – *Government Auditing Standards*

Finding 2019-004 Failure to Deposit Federal Funds According to Statute

The Department of Human Services (Department) did not comply with statutory requirements relating to depositing federal funds in accordance with the Mental Health and Developmental Disabilities Administrative Act (MH Act) and overstated receivables in the Community Developmental Disability Services Medicaid Trust Fund (Fund 0142) and the Home Services Medicaid Trust Fund (Fund 0120).

Effective July 1, 2018, the language of the MH Act changed by removing the requirement that federal funds be deposited directly into the Medicaid Trust Fund (Fund 0142); however, the MH Act added the requirement that federal funds deposited into Fund 0142 were not to exceed $60 million in any fiscal year. Auditors noted that during FY 2019 a total of $77.6 million was deposited into Fund 0142 on behalf of the Department. In addition, the Department recorded a receivable in Fund 0142 for an additional $8.8 million of federal funds. This situation resulted in an overstatement of the receivable of $8.8 million and the incurrence of a liability to the Department of Healthcare and Family Services (HFS) of $17.6 million (relating to the excess deposit).

Additionally, the DR Act limits the amount of Title XIX and Title XXI funds to be deposited into Fund 0120 to $234 million. During FY 2019, approximately $233 million was deposited into the fund, which was allowable and represented the total to be received for the year. However, the Department also recorded a receivable in Fund 0120 for an additional $16.2 million of federal funds. This situation resulted in an overstatement of the receivable of $16.2 million.

Correcting adjustments for Funds 0142 and 0120 were recorded by the Department in the financial statements.

The Mental Health and Developmental Disabilities Administrative Act (20 ILCS 1705/18.5) requires that beginning in State fiscal year 2019, funds in any fiscal year in amounts not exceeding a total of $60,000,000 paid to the State by the federal government under Title XIX or Title XXI of the Social Security Act, be deposited into the Community Developmental Disability Services Medicaid Trust Fund to pay for Medicaid-reimbursed community developmental disability services provided to eligible individuals.

The Rehabilitation of Persons with Disabilities Act (20 ILCS 2405/5b) requires that beginning in State fiscal year 2019, amounts paid to the State during each State fiscal year by the federal government under Title XIX or Title XXI of the Social Security Act, for services delivered in relation to the Department's Home Services Program, in amounts not exceeding $234 million, shall be deposited into Home Services Medicaid Trust Fund.

Department management indicated that FY 2019 was the first year of the new funding language limiting the amount of revenues to be deposited into Fund 0142 to $60,000,000. DHS worked with HFS staff to establish a bi-monthly deposit plan for that amount. However, in addition to the planned bi-monthly deposit HFS deposited federal reimbursement received for two children's waivers for individuals with developmental disabilities. The effect of the change in legislation limiting deposits for Title XIX and Title XXI funds into Funds 0120 and 0142 was not considered when determining the Federal Receivable amount calculated on the SCO-563s for these funds.

Current Findings – *Government Auditing Standards*

Finding 2019-004 Failure to Deposit Federal Funds According to Statute (Continued)

Exceeding the allowed amounts of federal deposits into the Community Developmental Disability Services Medicaid Trust Fund is noncompliance with the MH Act. Recording receivables for federal programs that exceed statutorily allowed amounts misstates the financial statements. (Finding Code No. 2019-004, 2017-028)

Recommendation

We recommend the Department review all legislation that influences revenues and receivables prior to preparing the Comptroller SCO-563 forms to ensure revenues and receivables are not significantly misstated due to the impact of legislative limitations on depositing money into various funds.

Department Response

The Department of Human Services (DHS) accepts the recommendation. DHS will review and account for legislative changes which influence revenues and receivables.

Current Findings – *Government Auditing Standards*

Finding 2019-005 Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") lacked controls over eligibility determinations, redeterminations and Mid-Point Reporting requirements for Federal programs where such determination/requirement is documented using the Integrated Eligibility System.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' Integrated Eligibility System (IES) is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, redeterminations, Mid-Point Reports and maintenance items in order to determine eligibility and make payments for the State's human service programs.

In order to conclude if the determination of eligibility was proper, we selected a sample of 60 cases (29 new applications and 31 redeterminations) and tested whether the cases were properly certified (approved or denied) based on non-financial, financial and timeliness criteria. For SNAP cases we also tested whether the Mid-Point Report (MPR) was timely certified, where applicable. Our testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 13 of the 60 cases tested (21.7%) we noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification.

Specifically we noted:

- For 6 cases (10%) the application, redetermination or mid-point report was not approved or denied timely. For 6 SNAP cases, the approval or denial was between 4 and 264 days late. For 2 Medical cases, the approval or denial was 32 and 175 days late. (The 2 Medical cases were also SNAP cases.)
- For 1 case (1.7%) the file did not contain documentation of an application for benefits.
- For 1 case (1.7%) the file did not contain the redetermination form.
- For 6 cases (10%) the recipients reported income was not fully supported or not accurately supported.
- For 1 case (1.7%) the file did not include verification of non-citizen status.

Departments' management indicated the above errors were due to caseworker error. Caseworkers did not complete eligibility determinations timely and did not sufficiently scan and upload all necessary eligibility documentation into the IES case file.

In order to understand the functions performed by the caseworkers more fully, we conducted on-site observations at three of the Department of Human Services' local offices.

Current Findings – *Government Auditing Standards*

Finding 2019-005 Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements (Continued)

We noted the following types of issues the caseworkers encountered in their utilization of IES while working with recipients:

- IES timed out and sent the caseworker back to the login screen while entering recipients' information. Consequently, the caseworker had to reenter information.
- IES indicated a recipients' information contained errors; however, the caseworker's review of the information noted no errors.
- IES had technical errors while interfacing the other applications to conduct verification of the recipients' information.
- IES had errors in determining the benefits for recipients.
- IES had issues determining recipients' eligibility.
- IES was unable to produce correspondence to recipients.

Department management indicated the above errors and problems were due to IES technical defects.

Further, we noted insufficient communication between the Departments' internal operating units which administer IES and related systems and the Departments' financial reporting units, along with a lack of communication between the Departments and the auditors. We discovered that in September 2019, HFS' Bureau of Eligibility Integrity identified system defects which resulted in temporary eligibility status recipients, or presumptively eligible recipients, maintaining their eligibility status in error after the Departments had deemed them ineligible. However, this condition was not reported to HFS' financial reporting unit to determine the impact of this defect on the Departments' financial statements, and it was not made known to the auditors. In fact, it was not until February 2020, during testing for the Statewide Single Audit performed by other auditors, that exceptions in the other auditors' testing and further inquiries related thereto led to HFS' disclosure of the existence of these system defects. At our request, HFS performed an analysis of the impact of this defect on the Departments' financial statements and determined HFS paid benefits of $4.7 million in error for recipients who had been determined ineligible and received $217 thousand in federal financial participation (FFP) from those disbursements, pertaining to fiscal year 2019. The Departments concluded these errors were not material to the financial statements, and as such no changes to the financial statements resulted.

The lack of a formal process to communicate matters such as those identified above represents a significant weakness in internal control over the Departments' financial reporting. It is essential that financial-related consequences of system defects be communicated with appropriate fiscal personnel to determine the potential impact on the financial statements. Further, full and timely disclosure of potential or known problems to the auditors is essential to avoiding delays in the audits, including audits of the Departments' financial statements, the Statewide Single Audit, and the Statewide Comprehensive Annual Financial Report.

Current Findings – *Government Auditing Standards*

Finding 2019-005 Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements (Continued)

Also, in the Centers for Medicare and Medicaid Services (CMS) findings from its Payment Error Rate Measurement (PERM) reporting year 2019 report, we noted CMS reported an estimated payment error rate of 35.37% for Medicaid eligibility issues. CMS used its sample results to project $4.3 billion in federal benefits payment errors for the 2019 reporting year. It is important to note that CMS stated in its report that not all payment errors identified in the report are necessarily indicative that the expense should not have occurred. For instance, if missing information had been on the claim and/or the State complied with the enrollment requirements, then the claims may have been payable. Further, CMS did not impose eligibility recoveries or disallowances for reporting year 2019.

The more significant eligibility errors identified in the PERM report were:

- Documentation to support eligibility determinations was not maintained.
- Verification/documentation not done/collected at the time eligibility was determined.
- Eligibility was not redetermined within timeliness criteria (See Finding 2019-007).

The Code of Federal Regulations (Code) (42 C.F.R. § 435) requires recipients of Medicaid to provide documentary evidence of their citizenship, residency, SSNs and income. Further, the Code (42 C.F.R. § 431.17) requires the Medicaid agency to maintain records of each applicant and beneficiary, including records which support the determination of eligibility.

The Code (7 C.F.R. § 273.2) requires that the application or reapplication form (form) for individuals requesting SNAP be signed to establish a filing date and to determine the State agency's deadline for acting on the form. The State agency shall not certify a household without a signed form. The application process includes filing and completing an application form, being interviewed, and having certain information verified. States must meet application processing timelines. All SNAP applications, regardless of whether they are joint applications or separate applications, must be processed for SNAP purposes in accordance with SNAP procedural, timeliness, notice and fair hearing requirements. State agencies shall verify the following information prior to certification for households initially applying" gross nonexempt income, alien eligibility, utility expenses, medical expenses, social security numbers, residency, identity, and disability.
The Code (7 C.F.R. § 273.10) requires that the household's eligibility be determined for the month of application by considering the household's circumstances for the entire calendar month in which the household filed its application. Eligibility for recertification shall be determined based on circumstances anticipated for the certification period starting the month following the expiration of the current certification period.

The Code (7 C.F.R. § 273.14) (SNAP recertification) requires that the State agency must establish procedures for notifying households of expiration dates, providing application forms, scheduling interviews, and recertifying eligible households prior to the expiration of certification periods.

The Code (7 C.F.R. § 274) indicates that each State agency is responsible for the timely and accurate issuance of SNAP benefits to certified eligible households, and that all newly certified households (except those given expedited service) shall be given the opportunity to participate no later than 30 calendar days following the date the application was filed.

Current Findings – *Government Auditing Standards*

Finding 2019-005 Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements (Continued)

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (2 C.F.R. § 200.303) requires the Departments to establish and maintain effective internal control over the human services programs to provide reasonable assurance that the Departments are managing the human services programs in compliance with federal statutes, regulations, and the terms and conditions and comply with federal statutes, regulations, and terms and conditions of the human services programs.

Additionally, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Departments to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws.

Inadequate controls over eligibility determinations resulted in determinations of eligibility that were not demonstrated or documented prior to recipient certification, and the State expending Federal and State funds for recipients that may not have been eligible to receive benefits. Poor communication between internal operating unit personnel and financial reporting personnel could result in a misstatement of the Departments' financial statements. Noncompliance with federal laws and regulations could lead to sanctions and/or loss of future Federal funding, disallowance of costs, and the requirement to return Federal funds previously received. (Finding Code No. 2019-005, 2018-005, 2017-008, 2016-001, 2015-002)

Recommendation

We recommend the Departments work together to:

- provide adequate training and supervision of caseworkers;
- implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES,
- complete certifications of applications and redeterminations timely,
- establish formal lines of communication between operating unit personnel and financial reporting personnel, and
- correct IES application errors.

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. Training of staff continues to be an important factor for the successful operation of IES. The Department continues to adjust and improve mandated IES training as needed.

DHS agrees to work with all staff, including Regional Administration and Policy experts in order to identify any potential additional controls that would assist in ensuring appropriate documentation of eligibility is obtained and retained in IES.

Current Findings – *Government Auditing Standards*

Finding 2019-005 Inadequate Controls over Eligibility Determinations, Redeterminations and Mid-Point Reporting Requirements (Continued)

The timely certification of applications and redeterminations are a constant and continuous priority. DHS agrees to continue to communicate to staff the importance of timeliness. Since late in calendar year 2018, the SNAP timeliness rate has successfully climbed from below 65% to above 95% in early calendar year 2020.

The portion of this finding related to insufficient lines of communication from operating unit personnel and financial reporting personnel is specific to HFS. DHS has no comment.

DHS, HFS, and DoIT continue to work on system defects and enhancement requests to ensure that IES is running optimally and handles applications according to relevant policy.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS and DHS are working together to improve staff training materials and communication as well as better documentation through use of electronic case records. HFS submitted corrective action plans to Federal CMS to address the PERM report. HFS and DHS continue to address timeliness issues with both applications and redeterminations through staff hiring and process simplification. The HFS Division of Medical Programs and the Division of Finance will develop a formal process to communicate any system defects that may have financial impact. HFS continues to work with DoIT / DHS to prioritize defects and enhancements for release into IES to improve performance and accuracy.

Current Findings – *Government Auditing Standards*

Finding 2019-006 Lack of Security Controls over the Integrated Eligibility System (IES)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") failed to implement adequate security controls over the Integrated Eligibility System (IES).

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

<u>Environment Security</u>
We requested the Departments provide the population of servers in which IES resided. In response, the Departments provided a population; however, our testing noted the population was incomplete.

Even though the populations was incomplete, we tested the population of servers the Departments provided noting 139 of 198 (70%) servers were running operating systems which were no longer supported by the vendor. In addition, 36 of 198 servers (18%) were not being backed up. Furthermore, the Departments did not provide documentation demonstrating antivirus software had been installed on the servers hosting IES and its data.

Additionally, during the Departments' internal security review completed as part of its Plan of Actions and Milestones (2019) report to the Centers for Medicare and Medicaid Services, the following significant security threats were identified:

- Protected health information and personal identifiable information was exposed to shared service areas,
- Audit logs were not generated,
- Inadequate access provisioning,
- Inadequate server configurations, and
- Multifactor authentication was not enabled.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires State agencies to be responsible for the security of all automated data processing system (ADP) projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The Centers for Medicare and Medicaid Services, *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states that protecting and ensuring the confidentiality, integrity, and availability of state Marketplace information, common enrollment information, and associated information systems is the responsibility of the states.

The Departments indicated the lack of resources and oversight contributed to the weaknesses.

Current Findings – *Government Auditing Standards*

Finding 2019-006 Lack of Security Controls over the Integrated Eligibility System (IES) (Continued)

User Access Security
During our testing of the Departments' access provisioning policies, we noted the policies did not define the time period in which the Departments were required to disable a terminated individuals' system access. In our review of 26 terminated IES users, we noted 12 (46%) had their access terminated 2 to 90 days after termination of employment.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires State agencies to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, states an entity is to define within policies and procedures personal security transactions, establishment and termination of access, based on assessed risk of the entity's environment. Additionally, the U.S Department of Health and Human Services' Security Rule adopted pursuant to the Health Information Portability and Accountability Act and published within the Code (45 C.F.R. § 164.308(a)(3)(ii)(C)) requires the Departments to implement "procedures for terminating access to electronic protected health information when the employment of, or other arrangement with, a workforce member ends."

The Departments' management indicated they believe their access provisioning activities were in accordance with Departments' policy, industry standards and the Code.

The Departments' failure to maintain adequate internal controls over the security of the IES application and data increases the risk IES may be exposed to malicious attacks, security breaches, and unauthorized access to recipients' personal and health information. (Finding Code No. 2019-006, 2018-011, 2017-011)

Recommendation

We recommend management of the Departments enhance security controls over the IES environment, application, and databases. Specifically, the Departments should enhance controls to address back-ups of all servers on a regular basis and update operating systems for servers which are running software no longer supported by the vendor. Further, the Departments should enhance policies governing termination of IES access rights. The policy should be specific in describing the maximum period of time allowed for terminating the access rights. Finally, the Departments should ensure a complete and accurate record of all servers on which IES resides is maintained.

Current Findings – *Government Auditing Standards*

Finding 2019-006 Lack of Security Controls over the Integrated Eligibility System (IES) (Continued)

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. DHS and the Department of Healthcare and Family Services (HFS) continue to work with Department of Innovation and Technology (DoIT) on the acquisition and organization of servers and other infrastructure to support the Integrated Eligibility System (IES). The current focus of these efforts is to migrate IES system Databases from end-of-life servers, in order to resolve existing vulnerabilities and allow for backup of all active IES servers. A complete and accurate configuration listing of active IES servers is in development and will be maintained throughout this infrastructure reorganization.

The Application for Benefits Eligibility (ABE) web-facing portal Multi Factor Authentication (MFA) IBM Security Access Manager (ISAM) solution, which replaced the phased-out Fed Centers for Medicaid Medicare Services (CMS) MFA service, was implemented in March 2020. DoIT is working to expand MFA, using the ISAM solution, to all users accessing the IES application.

DoIT and DHS continue to work with the State's IES development vendor, toward resolution of outstanding Plan of Action and Milestones (POAM) items, which includes the addition of detailed audit logs in IES.

DoIT-DHS will assist DHS Family and Community Services (FCS) Division in documenting policies governing access provisioning, approving access, maintaining access, and deactivation of access to reduce the risk of unauthorized and/or inappropriate access to IES.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with DoIT / DHS to ensure a complete and accurate record of all servers is maintained and servers are backed up. HFS will enhance its policy governing system access.

Current Findings – *Government Auditing Standards*

Finding 2019-007 Untimely Processing of Applications for Benefits and Redeterminations of Eligibility for Benefits

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") did not maintain adequate internal control to ensure applications for benefits and redeterminations of eligibility for benefits were completed timely.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' Integrated Eligibility System (IES) is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

As part of our audit procedures, we tested the Departments' compliance with the federal time requirements for approving or denying applications, conducting redeterminations, and working any changes communicated by recipients for the SNAP, TANF, and Medical programs.

<u>Initial Applications</u>

The Code of Federal Regulations (Code) (45 C.F.R § 435.912(c)(3)) requires the Departments to determine the eligibility of applicants for medical program benefits within 45 days of receipt of the application for benefits. Additionally, the Code (7 C.F.R § 273.2(g)) requires the Departments to determine the eligibility of applicants for SNAP benefits no later than 30 calendar days following the date the application was received. Furthermore, the Code (45 C.F.R §206.10) requires the Departments to determine the eligibility of applicants for TANF benefits within 45 days of receipt of the application.

At June 30, 2019, the Departments had a backlog of 107,242 Medical applications, 19,957 SNAP applications, and 6,476 TANF applications, for which the determination of eligibility to receive benefits was not complete. Of the 26,433 SNAP and TANF applications, there were 4,194 applications which had applied for both programs.

Additionally, there were 1,279 applications in which the applicant did not specify the program; therefore, we were unable to determine the timeliness of the application.

<u>Redeterminations</u>

The Code (42 C.F.R § 435.916(a)(1) and 7 C.F.R § 273.14) requires the Departments to redetermine eligibility for SNAP, TANF and medical programs every 12 months.

As of June 30, 2019, the Departments had a backlog of recipients for which eligibility redeterminations were required and redetermination information was provided by the recipients. The backlog at June 30, 2019 included at least 170,720 medical redeterminations, and 980 SNAP and TANF redeterminations.

In addition to the above known redetermination backlog, because of a defect within IES, the date information was received was not documented and we were unable to determine the timeliness of the redeterminations for 68,612 Medical recipients and 2,146 SNAP and TANF recipients.

Current Findings – *Government Auditing Standards*

Finding 2019-007 Untimely Processing of Applications for Benefits and Redeterminations of Eligibility for Benefits (Continued)

The 239,332 individuals above (170,720 redeterminations that contained a date and 68,612 redeterminations which did not contain a date) were part of 152,425 cases with pending medical redeterminations that were incomplete. In addition, there were 863 recipients with pending medical redeterminations for which information was provided, however it did not document the receipt date.

Change Documentation

The Code (42 C.F.R § 435.916(d)(1) and 42 C.F.R § 435.952(a)) requires the Departments to promptly redetermine eligibility upon receipt of information affecting eligibility.

When a recipient encounters a change in their situation, which may have an impact on eligibility, the recipient is to notify the Departments of such change. As of June 30, 2019, the Departments had a backlog of 51,903 cases for which information had been received but not reviewed. Because the information had not been reviewed, the Departments did not know which program(s) might be impacted. As such, we were unable to determine the timeliness of processing the information.

Center for Medicare and Medicaid Services
In the Centers for Medicare and Medicaid Services (CMS) findings from its Payment Error Rate Measurement (PERM) reporting year 2019 report, it was projected that $977 million of federal benefits were considered errors because the determination was not conducted timely. Specifically, the Departments could not provide evidence they conducted an eligibility determination or the eligibility determination was not in accordance with timeliness standards (does not apply to application timely processing) as defined in the federal regulations. However CMS did not impose eligibility recoveries or disallowances for reporting year 2019.

The Departments indicated lack of staff contributed to the delays in completing the applications, redeterminations and other information within the required timeline.

Untimely determination of eligibility, redetermination of eligibility and processing of change documentation is a violation of the Code of Federal Regulations. Failure to make timely determinations of eligibility could result in hardships for the applicants. Furthermore, failure to timely redetermine eligibility for benefits could result in the Departments paying benefits to ineligible individuals as well as then receiving federal financial participation in connection with those ineligible benefits paid. (Finding Code No. 2019-007, 2018-009, 2017-007)

Recommendation

We recommend management of the Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 or 30 days, as applicable. Furthermore, the Departments should establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely along with any change documentation received.

Current Findings – *Government Auditing Standards*

Finding 2019-007 Untimely Processing of Applications for Benefits and Redeterminations of Eligibility for Benefits (Continued)

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. DHS agrees to work with the Department of Healthcare and Family Services (HFS) to implement controls to comply with the requirement that applications are reviewed and approved or denied timely.

DHS will continue the practice of assigning and training additional personnel so that initial applications are worked and redeterminations and maintenance of eligibility are performed within the timeframes required. DHS has recently implemented Statewide Processing Centers (SPCs) in order to handle work from larger offices with heavy caseloads, and effectively redistribute tasks to areas of the field that have the capacity to handle additional assignments. This has resulted in more timely performance of task completion within IES; a substantial increase in SNAP application timeliness; a reduction in the backlog of medical applications; lower wait times for customers who enter the FCRC; and improved customer service in the timely and accurate distribution of benefits.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will continue to cooperate with Federal CMS regarding corrective actions. All backlogs are being addressed through a combination of staff hiring, enhanced training, process simplifications, policy streamlining and system enhancements.

Current Findings – *Government Auditing Standards*

Finding 2019-008 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

Change control is the systematic approach to managing changes to an IT environment, application, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

<u>IES Application Changes Policies and Procedures</u>
The Departments did not have documented internal controls over changes to IES during the audit period. However, on August 31, 2019, the Departments memorialized the change control process in writing. According to the Departments, this process was to have been followed during the audit period.

Our review of the August 31, 2019 Change Management Policy and Procedure, noted the Policy and Procedure did not:

- Define the various types of changes,
- Define the requirements for the prioritization or classification of changes,
- Define the information required to be entered into the tracking system for each change,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

<u>Recipient Data Changes Policies and Procedures</u>
The Department did not have documented internal controls over changes to recipient data residing in IES during the audit period.

<u>Testing of IES Application Changes</u>
As noted above, the Change Management Policy and Procedure did not document the specific requirements the various types of changes were required to comply with; however, we did note each IES change was required to include impact scores, requirements and design documents approved by the Departments, user acceptance testing, release notes, an associated Remedy Ticket, and approval from the IES Bureau Chief. Therefore, we selected a sample of 60 changes to IES to determine if they complied with the requirements described above, noting 53 (88%) did not have the Customer Impact, Caseworker Impact, Level of Urgency, and Regulatory Impact scores completed.

Current Findings – *Government Auditing Standards*

Finding 2019-008 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)

According to the Change Management Policy and Procedure, issues and the status of each change were to be communicated at the UAT Status Meeting twice weekly. Additionally, the UAT Status Meeting minutes were to be published on the Department of Healthcare and Family Services website.

Furthermore, we requested a sample of meeting minutes from the UAT Status Meetings, which were to be held twice a week. However, the Department stated UAT Status Meeting minutes were not maintained for the period of July through November 2018.

<u>Testing of Recipient Data Changes</u>
Due to the lack of documented internal controls we could not determine if fixes to recipients' data were properly approved. However, we selected a sample of 40 fixes to recipients' data to determine if there were documented approvals for the recipient data changes. Our testing noted, although verbal approval appeared to have been obtained prior to implementation, approvals for 7 (17.5%) recipient data changes were documented one to five days after implementation.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (Code) (2 C.F.R. § 200.303) requires the Departments to establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions and comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Code (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires State agencies to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-128, *Guide for Security-Focused Configuration Management of Information Systems*, states critical elements are to include:

- Developed and documented policies, plans, and procedures, and
- Properly authorized, tested, approved and tracking of all changes.

Furthermore, the National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy controls for Federal Information Systems and Organizations*, states policies and procedures should be in place detailing who can authorize modifications and how the authorizations are to be documented. Additionally, documentation of authorizations should be obtained prior to implementation.

Current Findings – *Government Auditing Standards*

Finding 2019-008 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)

The Departments' Change Management Policy and Procedure requires that each change to IES have impact scores completed, Departments' approval of the requirements and design documents, Remedy ticket, release notes, and be approved by the IES Bureau Chief to move the change to the production environment.

The Departments' management indicated although they did not have a documented process during the audit period, they believed the process formalized in the August 31, 2019 Change Management Policy and Procedure was adequate. In addition, the Departments' indicated the weaknesses identified during detailed testing were the result of a lack of understanding of the Change Management Policy and Procedure.

Failure to establish and document internal controls over changes to IES and recipient data diminishes the Departments' ability to secure the IES system as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration. (Finding Code No. 2019-008, 2018-010, 2017-010)

Recommendation

We recommend management of both Departments work together to determine and document controls in the Change Management Policy and Procedure for the following:

- Definitions of the various types of changes,
- Specific requirements for the prioritization or classification of changes,
- Specific information required to be entered into the tracking system for each change,
- Definitions of the numerical grading for determining impact,
- Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required.

The Departments should improve monitoring of established internal control to improve adherence to the control system by Department employees. The Departments should also document internal controls over changes to recipient data residing in IES. This documentation should include the timing for required approvals for recipient data changes. Finally, the Departments should prepare minutes for each UAT Status Meeting and publish them on the Department of Healthcare and Family Services website.

Current Findings – *Government Auditing Standards*

Finding 2019-008 Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. The current IES Change Control Document is under review by DHS, HFS, and DoIT. The IES system has moved from a project to a system in production and with that movement the departments are determining, documenting, and implementing procedures that best fit maintaining a system of this size and importance; while being flexible enough to meet the fast pace changes needed by the business users and the clients. Each agency will strive to improve the internal controls of the Change Management Procedures as we move forward.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with DoIT / DHS to ensure controls over IES changes are adequate.

Current Findings – *Government Auditing Standards*

Finding 2019-009 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") lacked adequate disaster recovery controls over the Integrated Eligibility System (IES).

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Department of Human Services' Disaster Recovery Plan (Plan) addresses the recovery and operation of IES. However, we noted the Plan did not include:

- Detailed recovery scripts,
- Support staff and vendor contact information,
- Responsibilities for the recovery of IES,
- Documentation on backups, and
- Was not updated to reflect changes to the current environment.

In addition, the Departments had not conducted disaster recovery testing during the audit period.

The Code of Federal Regulations (Code) (45 C.F.R § 95.621(f)(2)(ii)(F), *ADP System Security Requirements and Review Process*, requires State agencies' automated data processing (ADP) Security requirements to include contingency plans to meet critical processing needs in the event of short or long-term interruption of service.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, includes disaster recovery plans and the testing of disaster recovery plans as baseline security controls integral to ensuring appropriate security requirements and controls are applied to information systems.

Department management indicated the Plan had not been updated and testing had not been completed due to the ongoing project of upgrading the environment in which IES resides.

The lack of an adequate disaster recovery plan and the failure to perform sufficient testing of such plan could result in the Departments' inability to recover IES and data. (Finding Code No. 2019-009)

Current Findings – *Government Auditing Standards*

Finding 2019-009 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) (Continued)

Recommendation

We recommend management of the Departments enhance the Disaster Recovery Plan to include:

- Detailed recovery scripts,
- Support staff and vendor contact information,
- Responsibilities for the recovery of IES,
- Documentation on backups, and
- Changes to the current environment.

Additionally, the Departments should perform disaster recovery testing on a regular basis as defined in the Plan.

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. The current IES Information System Contingency Plan v4.0 (10/2018) is under review at this time by the Acting DoIT – DHS Information Security Officer. Detailed scripts, State and the IES development vendor support / responsible contact information, system backup information are all to be updated on the v5.0 (04/2020) IES Contingency Plan.

DoIT / IES development vendor are not able to participate in Disaster Recovery (DR) exercises for the IES Application at this time. Disaster Recovery functionality is not available in the current production IES environment as it has outgrown the capacity of the disaster recovery hardware. DoIT / HFS is currently working on a multi-phase project to upgrade all IES hardware/software, these systems include a full DR component that will allow for an annual off-site DR test. At such time the IES Infrastructure is fully implemented and ready for DR testing, exercises will commence annually.

DR Planning Finalization and Execution, conducted by the IES development vendor / DoIT is Phase 7 of the IES Long Term System Security Plan (LTSSP) Technical Refresh. Phase 7 of IES Tech Refresh is scheduled to take place mid-2021. Currently, the DR configuration for Production Database Environment IES is in the 'build' and 'testing' phase at DoIT.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with DoIT / DHS to ensure the Disaster Recovery Plan is enhanced and tested as soon as possible.

Current Findings – *Government Auditing Standards*

Finding 2019-010 Lack of Detailed Agreement with the Department of Innovation and Technology (DoIT)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) had not entered into a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure roles and responsibilities for the Integrated Eligibility System (IES) were formally documented.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments’ IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State’s human service programs.

The Departments’ IES application and data resides on DoIT’s environment. In addition, DoIT’s staff is responsible for coordinating and making changes to the IES application and data. Furthermore, DoIT’s staff assists the Departments with user access security.

However, the Departments had not entered into an agreement with DoIT documenting roles and responsibilities for each function they perform on the Departments’ behalf.

The National Institute of Standards and Technology (NIST), Special Publication 800-35, Guide to Information Technology Security Services, states as part of the life cycle in making IT security decisions to outsource services, the organization should document specific attributes of an acceptable service arrangements and levels of service.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over State’s resources.

The Departments’ have the ultimate responsibility to ensure their critical and confidential data are adequately safeguarded.

The Departments’ management indicated they believed the existing general agreement regarding the relationship between the Departments and DoIT was sufficient.

The Departments’ failure to execute an agreement with DoIT increases the risk that IES functions won’t be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2019-010)

Current Findings – *Government Auditing Standards*

Finding 2019-010 Lack of Detailed Agreement with the Department of Innovation and Technology (DoIT)

Recommendation

We recommend management of the Departments execute a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure the IES System roles and responsibilities required to be performed by each party, are formally documented.

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. DHS will work with HFS to review the need to execute an agreement with DoIT regarding IES responsibilities.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with DHS to review the need to execute an agreement with DoIT regarding IES responsibilities.

Current Findings – *Government Auditing Standards*

Finding 2019-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements

The Department of Healthcare and Family Services (HFS), and the Department of Human Services (DHS) (collectively, the "Departments") failed to design and implement adequate internal controls over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). Specifically, we noted the Departments did not sufficiently review and document approval for provider enrollments and had not entered into interagency agreements (IA) defining each agency's roles and responsibilities.

In July 2015, HFS implemented IMPACT's Provider Enrollment module, which was designed by HFS to be the State of Illinois' book of record for the enrollment of providers offering services for and on-the behalf of the State of Illinois' Medicaid recipients.

<u>HFS' and DHS' Roles</u>

As set by the State of Illinois' State Plan under Title XIX of the *Social Security Act* (State Plan) (Section 1.1), the State's designated agency responsible for administering and supervising the administration of the Medicaid Program is HFS. However, Section 1.1 of the State Plan allows for HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery) services.

<u>Auditor Testing and Results</u>

Interagency Agreements
We noted the Departments did not have interagency agreements defining the specific roles and responsibilities.

Quality/Supervisory Reviews Not Conducted
We noted the Departments do not have a process for supervisors to perform, at least on a sample basis, quality reviews of the activities performed by staff to obtain independent evidence that staff members are acting within the scope of their authority and that transactions and events comport with management's expectations.

Current Findings – *Government Auditing Standards*

Finding 2019-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)

Detail Sample Testing
Based on the population provided by HFS, during Fiscal Year 2019, 26,529 provider applications were approved. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 40 approved applications were selected for testing. Our testing of the 40 provider files noted:

- 38 approved provider applications included requests for the applicable Department to backdate their enrollment beginning dates. Of those 38 approved applications we noted:

  - 28 (74%) provider files were for providers who requested the applicable Department to backdate their eligibility beginning date. However, the provider's file did not contain documentation of the Department's reason for allowing an exception and thereby backdating the provider's enrollment. As a result, we could not determine if the backdating of enrollment, and the subsequent payments was proper.
  - 4 (11%) provider files were backdated in excess of HFS' policy, ranging from 19 to 413 days past the 180 day limit.

- 8 (20%) provider files did not contain documentation the applicable Department reviewed the provider's required professional license or board certification to confirm the licenses/certifications were valid at the time the application was approved.

- 3 (8%) provider files did not have documentation the applicable Department confirmed the provider's national board certification end date. In fact the certifications were recorded with open ended expiration dates within IMPACT.

- 1 (3%) provider file noted a felony charge during the screening process. However, there was no documentation the application was sent to the Office of Inspector General (OIG) for detailed review and approval.

DHS Testing
DHS is responsible for the review and approval of the following providers:

- Division of Substance Use Prevention and Recovery (SUPR) – Various Block Grant Programs,
- Division of Developmental Disabilities (DD) – Community Integrated Living Arrangement (CILA) Program,
- Division of Developmental Disabilities (DD) – Home Based Services Program,
- Division of Rehabilitation Services (DR) – Home Services Program,
- Division of Mental Health (MH) – Community Mental Health Care (CMHC), and
- Division of Family and Community Services (FCS) – Early Intervention.

Current Findings – *Government Auditing Standards*

Finding 2019-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)

During our testing, we determined DHS did not utilize IMPACT as the book of record or rely on it to verify their providers met certain Medicaid requirements prior to approving them to provide services. In fact, DHS was performing procedures to determine if the providers met certain Medicaid eligibility requirements outside of IMPACT. Upon completion of those procedures, DHS entered the information into IMPACT and approved the provider in order to grant the approval for payment. However, DHS did not regularly follow-up on discrepancies identified upon IMPACT completing verification of information, background checks, and professional licensing.

Additionally, on a monthly basis IMPACT checks provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. However, we determined DHS was not regularly following up on noted issues.

Although DHS performed various procedures in determining if providers met the Medicaid eligibility requirements, we noted there was no consistent process for reviewing issues identified and reporting to HFS to ensure only eligible providers were paid with federal and/or State funds.

Given IMPACT is the State's book of record for determining provider eligibility and subsequent approval of payment to Medicaid providers and the fact DHS is not utilizing IMPACT as intended, the Departments cannot ensure the payments made to DHS' providers are appropriate and eligible for federal reimbursement.

The Code of Federal Regulations (2 C.F.R. § 200.303), *Internal Controls*, requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The *Medicaid Provider Enrollment Compendium* notes it is incumbent on the Departments to mitigate the risk of an improper enrollment, as payments for the backdated period are improper unless an exception applies. HFS' *Individual Approval Process Checklist* states applications may be backdated up to 180 days, if requested by the applicant.

The Code of Federal Regulations (Code) (42 C.F.R. §455.412(a)) requires the Departments to have a method for verifying that any provider claiming to be licensed in accordance with the laws of any State is licensed by such state. In addition, HFS' *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires Departments' staff reviewing licenses to document their review of ensuring the licenses were valid and current in the comments section in IMPACT.

Current Findings – *Government Auditing Standards*

Finding 2019-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)

The Code (42 C.F.R. §455.412(b)) requires the Departments to confirm the provider's license has not expired and there are no current limitations on the provider's license/certification. In addition, HFS' *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires the end date for required licenses/certifications to be current in IMPACT.

HFS' *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires Departments' staff to send applications with felonies to the OIG for review and determination of approval.

The Code (42 C.F.R. 431.17) requires the Departments to maintain records necessary for the proper and efficient operations of the State's Medicaid Plan.

In the prior audit, Departments' management indicated the control deficiencies were due to employee oversight. In the current audit, Departments' management indicated they had not had sufficient time to collect information and develop interagency agreements. Additionally, the Departments' management indicated the errors associated with the approved applications were due to employee oversight.

Inadequate controls over the operation of IMPACT, such as insufficient review and approval of provider enrollment information, may result in providers being inaccurately determined eligible, the State expending federal and State funds for which provider enrollment has not been adequately demonstrated or documented, and may result in future expenditures to providers who are ineligible to provide services to recipients of the State's Medicaid Program. Noncompliance with federal laws and regulations could lead to denied claims, sanctions and/or loss of future federal funding and result in misstatement of agency financial statements. Additionally, failure to execute interagency agreements could expose the State to unnecessary and avoidable litigation. (Finding Code No. 2019-011, 2018-006)

Recommendation

We recommend management of the Departments improve controls to ensure each Departments' staff and supervisors are properly obtaining, reviewing, and retaining documentation in IMPACT to support Medicaid provider enrollment.

Additionally, we recommend the Departments execute detailed interagency agreements defining the roles and responsibilities of each agency regarding the Medicaid program. The interagency agreements should sufficiently address the necessary procedures to enforce monitoring and accountability provisions over IMPACT as required by the Code of Federal Regulations and the State Plan so the enrollment of providers offering services is carried out in an efficient and compliant manner.

Furthermore, we recommend DHS utilize IMPACT as their book of record for provider enrollment. DHS should also develop controls to review any noted issues and notify HFS of any issues affecting eligibility.

Current Findings – *Government Auditing Standards*

Finding 2019-011 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. DHS will provide written documentation in IMPACT of the documentation and databases that were used to manually verify eligibility. Documentation such as a provider's license or certification will be maintained on file with the Department. As the lead Medicaid Agency, HFS is coordinating with each state agency to define the roles and responsibilities regarding the Medicaid program. DHS will continue to cooperate and comply with the guidance provided by HFS during the interim while the Interagency Agreement is being developed. DHS will continue to collaborate with HFS to execute an interagency agreement that sufficiently addresses the necessary procedures to enforce monitoring and accountability provisions over IMPACT as required by the Code of Federal Regulations so the providers offering services is carried out in an efficient and compliant manner.

Furthermore, DHS agrees that IMPACT is the book of record for determining Medicaid eligibility. DHS will cooperate with HFS to develop adequate controls to ensure applications are reviewed and a process is established for notifying HFS of any issues affecting eligibility. The process of notifying HFS of issues affecting eligibility and the roles and responsibilities for determining a provider's eligibility will be addressed in the Interagency Agreement.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The IMPACT Provider Enrollment Subsystem requires staff to review and update any information that cannot be systemically verified. Furthermore, the system retains an audit trail which indicates updates to the system and the corresponding date, time and employee making the update. Although on some occasions, HFS Provider Enrollment staff failed to properly comment regarding the action they took to manually verify information, the Department provided post audit documentation to substantiate that all providers were eligible at the time that they were approved. This should help to minimize the concern that providers were inaccurately determined to be eligible to provide Medicaid services. HFS has adopted a formal quality assurance process that has been memorialized in a new Standard Operating Procedure (SOP). In addition, HFS is updating existing SOPs, where appropriate, to clearly outline the comment requirements and providing sample comment suggestions to standardize the process amongst all staff. These updates will be shared with staff during future staff training sessions. All SOPs have also been incorporated into the sister agency Interagency Agreements that have been drafted.

Current Findings – *Government Auditing Standards*

Finding 2019-012 Inadequate General Information Technology Controls over IMPACT

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") failed to establish and maintain adequate general information technology internal controls (general IT controls) over the operation of the State of Illinois' Illinois Medicaid Program Advanced Technology system (IMPACT).

In calendar year 2012, the Department of Healthcare and Family Services and the State of Michigan's Department of Community Health entered into agreements for the State of Illinois (State) to utilize Michigan's existing Medicaid Management Information System (MMIS) and its related infrastructure with the goal of replacing the State's MMIS to accommodate the processing of the State's Medicaid provider enrollment determinations and all Medicaid claim payments to such providers. Since 2012, the State has implemented two phases of IMPACT; Electronic Health Record Medicaid Incentive Payment Program (eMIPP) and Provider Enrollment (PE).

During our testing, we noted the Departments did not have access to or control over IMPACT and its infrastructure. As a result, we were unable to perform adequate procedures to satisfy ourselves that certain general IT controls (i.e. security over the environment, disaster recovery assurance, and change management procedures) over IMPACT were operating effectively during the audit period. The Third Party Service Provider (TSP) did not obtain or provide the Departments with a System and Organization Control (SOC) report, which would provide the State and the auditor's information on the design and effectiveness of internal control over IMPACT.

<u>Security over Illinois Users</u>

As we noted in the prior year finding, due to 1) the lack of reporting functionality within IMPACT and 2) the Departments not requesting the TSP to develop and provide ad hoc reports, the Departments' management did not perform access reviews. Although the Departments obtained the reporting functionality in March 2019, they still had not implemented a formalized review of user access rights during the audit period.

During our testing of the Departments' access provisioning policies, we noted the policies did not define the time period in which the Departments were required to disable a terminated individuals' IMPACT access. In our testing of 8 terminated IMPACT users, we noted 6 (75%) users had their access terminated 14 to 482 days after their termination of employment.

As a result of the Departments' failure to establish appropriate security controls over IMPACT, we cannot determine if IMPACT and the State's data are adequately protected from unauthorized access and accidental or intentional destruction or alteration.

<u>Disaster Recovery and Backups</u>

The Departments did not have a disaster recovery plan for IMPACT and had not conducted recovery testing of IMPACT during the audit period.

In addition, we requested documentation regarding the backup, including the Departments' due diligence in ensuring the backups were generated successfully, of the Departments' IMPACT data; however, they were unable to provide such documentation.

Current Findings – *Government Auditing Standards*

Finding 2019-012 Inadequate General Information Technology Controls over IMPACT (Continued)

As a result, of the Departments' failure to implement disaster recovery controls, including the successful performance of backups, the Department has failed to adequately protect IMPACT and the State's data against the possibility of major disruptions of services and the loss of data.

Change Management

As a result of the Departments' failure to obtain a SOC report, as noted above, or conduct their own timely independent internal control reviews over how changes were made by the TSP to IMPACT and its environment, we are unable to determine if the changes made to IMPACT and the State's data during the audit period were proper and approved.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (Code) (2 C.F.R. § 200.303) requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Code of Federal Regulations (42 C.F.R. §95.621(f)(1)), *ADP System Security Requirement*, requires State agencies to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health & Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

Generally accepted information systems technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorses the development of well-designed and well-managed controls to protect computer systems and data, and endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe. Generally accepted information technology guidance also endorses the implementation of suitable change management procedures to control changes to computer systems.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to 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.

Current Findings – *Government Auditing Standards*

Finding 2019-012 Inadequate General Information Technology Controls over IMPACT (Continued)

The Departments' management indicated the above control deficiencies were due to limited reporting capabilities of IMPACT, employee oversight, and their belief the TSP was responsible for some of the internal controls.

The lack of an adequate disaster recovery plan, the failure to perform sufficient testing of such plan and the failure to successfully and routinely perform backups could result in the Departments' inability to recover IMPACT and data. Failure to understand and document internal controls over user access and changes to IMPACT diminishes the Departments' ability to protect the system and the data from unauthorized changes and accidental or intentional destruction or alteration. (Finding Code No. 2019-012, 2018-005)

Recommendation

We recommend management of the Departments implement adequate internal control over the implementation and design of IMPACT, including regular reviews of user access rights, disaster recovery activities, and change management procedures.

Department of Human Services' Response

The Department of Human Services (DHS) accepts the recommendation. DHS will work with HFS to ensure controls over the implementation and design of IMPACT are adequate.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS has implemented a user access review process for IMPACT. The Department has worked with Michigan to develop an IMPACT disaster recovery plan that is near completion, pending final signoff. With advisory consultation from Illinois technical resources, the Department will work with Michigan to ensure clearly defined change control measures are established.

Prior Findings Not Repeated – *Government Auditing Standards*

A. <u>FINDING</u> (Methodology Used for Calculating the Allowance for Doubtful Accounts Not Accurate)

During the previous engagement, the Department of Human Services (Department) did not sufficiently assess all information it had available in determining the allowance for doubtful accounts and did not maintain sufficient detail supporting all receivable balances.

During the current engagement, the Department reviewed all available information in formulating the estimate for the allowance for doubtful accounts, and was able to provide the detail needed in support of the receivable balances. As a result, this finding is not repeated. (Finding Code No. 2018-002, 2017-004)

B. <u>FINDING</u> (Failure to Perform Essential Project Management Functions over the Integrated Eligibility System)

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services did not adequately execute internal controls over the implementation and operation of the State of Illinois' Integrated Eligibility System (IES) Phase II. Specifically, management of the Departments did not perform adequate project management functions over the implementation of IES Phase II.

Phase II of the IES implementation was completed in FY 2018 and there were no significant project management activities in FY 2019. Upon completion of the next significant projection management activity, the auditors will review the applicable State agency's development project. As a result, this finding is not repeated. (Finding Code No. 2018-007)

C. <u>FINDING</u> (Deletion of Four Months of Intake Eligibility Files and Significant Problems Determining Eligibility for Human Service Programs)

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services lacked controls over eligibility determinations and retention of intake documentation for the State of Illinois' human service programs.

During the current engagement, we noted no instances of missing intake documentation for the IES System. However, we noted continuing issues with determinations of eligibility for human service programs. For further details, see Finding No. 2019-005. (Finding Code No. 2018-008)

Prior Findings Not Repeated – *Government Auditing Standards* (Continued)

D. <u>FINDING</u> (Statewide Failure to Execute Interagency Agreements and Perform Essential Project Management Functions over Provider Enrollment in the Medicaid Program)

During the previous engagement, the Department of Healthcare and Family Services (HFS), the Department of Human Services (DHS), the Department of Children and Family Services (DCFS), and the Department on Aging (DoA) (collectively, the "Departments") failed to execute adequate internal controls over the implementation and operation of the State of Illinois' Illinois-Michigan Program Alliance for Core Technology system (IMPACT). Specifically, management of the Departments did not enter into interagency agreements (IA) defining each agency's roles and responsibilities and did not perform essential project management functions over the implementation of IMPACT.

Phase 2 of the IMPACT implementation was completed in FY 2018 and there were no significant project management activities in FY 2019 at DHS or HFS during the audit period. Upon completion of the next significant project management activity, the auditors will review the applicable State agency's development project. The financial audit of DCFS and the State compliance examination of DoA are biennial engagements, and therefore the prior year findings statuses will be followed up on for the reporting year ended June 30, 2020 and for the two years ended June 30, 2020, respectively. As a result of the aforementioned reasoning, this portion of the prior year finding is not repeated. The auditors have, however, reported in Finding 2019-011 that the Departments have not entered into IAs defining each agency's roles and responsibilities over IMPACT. (Finding Code No. 2018-004)