

**State of Illinois**  
**Department of Human Services**

Financial Audit  
For the Year Ended June 30, 2021

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

**State of Illinois  
Department of Human Services  
Financial Audit  
For the Year Ended June 30, 2021**

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Other Reports Issued Under a Separate Cover:

The Illinois Department of Human Services' State Compliance Examination for the two years ended June 30, 2021 will be issued under separate cover.

**State of Illinois**  
**Department of Human Services**  
**Agency Officials**  
**For the Year Ended June 30, 2021**

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Secretary	Grace B. Hou
Assistant Secretary (Operations)	Dulce Quintero
Assistant Secretary (Programs)	Vacant (1/1/21 – present) Kia Coleman (through 12/31/20)
Assistant Secretary (Firearm Violence Prevention*)	Chris Patterson (10/18/21 – present)
Budget Director	Tiffany Blair
Business Services Director	Paul Hartman
Chief of Staff	Ryan Croke
Chief Financial Officer	Robert Brock
Chief Operating Officer	Francisco DuPrey
Chief Internal Auditor	Amy Macklin
General Counsel	John F. Schomberg
Inspector General	Peter Neumer

\* Authorization for this position was established in June 2021

Agency main offices are located at:

100 South Grand Avenue, East  
Springfield, Illinois 62762

401 South Clinton Street  
Chicago, Illinois 60607

**State of Illinois**  
**Department of Human Services**  
**Financial Statement Report**

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**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 an unmodified opinion on the Department's basic financial statements.

**Summary of Findings**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	10	13
Repeated Findings	9	9
Prior Recommendations Implemented or Not Repeated	4	3

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2021-001	75	2020/2017	Medical Assistance Program Financial Information	Material Weakness and Noncompliance
2021-002	77	2020/2017	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Material Weakness
2021-003	82	New	Weaknesses in Preparation of Year-End Department Financial Statements	Material Weakness
2021-004	85	2020/2020	Weaknesses in Internal Controls over Census Data	Material Weakness
2021-005	88	2020/2017	Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data	Material Weakness
2021-006	91	2020/2020	Inadequate Access Review Procedures for the Integrated Eligibility System (IES)	Material Weakness
2021-007	93	2020/2019	Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)	Material Weakness
2021-008	95	2020/2019	Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES	Material Weakness
2021-009	97	2020/2018	Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements	Material Weakness and Noncompliance
2021-010	100	2020/2018	Inadequate General Information Technology Controls over IMPACT	Material Weakness

**State of Illinois**  
**Department of Human Services**  
**Financial Statement Report**

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**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
<b>Prior Findings Not Repeated</b>			
A	103	2020/2020	Revenue not Recorded in the Correct Fund and Noncompliance with Statute
B	103	2020/2020	Errors in Computing the Allowance for Doubtful Accounts
C	103	2020/2015	Inadequate Controls over Eligibility Determinations and Redeterminations
D	104	2020/2017	Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation

**Exit Conference**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 23, 2022.

Attending were:

**Department of Human Services:**

Grace Hou	Secretary
Dulce Quintero	Assistant Secretary of Operations
John Schomberg	General Counsel
Mark Bartolozzi	Director of Fiscal Services
Rahnee Patrick	Director of Rehabilitation Services
Amy Macklin	Chief Internal Auditor
Brittany Hendricks	Director of Human Resources
Tim Verry	Director of Family and Community Services
Brad Stutz	Payroll Bureau Chief
Sarah Eves	Bureau Chief of General Accounting
Kory Chapman	Chief Information Security Officer
Jami Severino	Bureau Chief of Performance Management (FCS)
Barrett Sheeley	Social Services Program Planner
Kim Ledesma	Social Services Program Planner
Derek Hedges	Medicaid Waiver Public Service Administrator
Elizabeth Lusk	Social Services Program Planner
Katie Fromme	Social Services Program Planner
K.L. Williams	Unit Manager of DHS DoIT
Sid Aleti	DHS DoIT Audit Unit
Albert Okwuegbunam	Audit Liaison
Christopher Finley	Audit Liaison

**State of Illinois**  
**Department of Human Services**  
**Financial Statement Report**

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**Summary of Findings (Continued)**

**Exit Conference**

**OAG:**

Janis Van Durme  
Megan Green

Health & Human Services Audit Manager  
Senior Audit Manager

**RSM US LLP:**

Linda Abernethy  
Ryan Caldwell  
Crystal Bruns

Partner  
Senior Manager  
Supervisor

The responses to the recommendations were provided by Christopher Finley, Audit Liaison, in a correspondence dated May 31, 2022.

The Department of Healthcare and Family Services (HFS) responses to the recommendations were provided by Theresa Eagleson, HFS Director, in a correspondence dated June 1, 2022.



## Independent Auditor's Report

RSM US LLP

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, 2021, 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, 2021, 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 Matters***

As discussed in Note 15 to the financial statements, the Department restated beginning net position for Governmental Activities (\$1.1 billion decrease) to correct an error in accounting for other post-employment benefit (OPEB) liabilities and the related deferred outflows and inflows of resources. Also as discussed in Note 15, the Department restated beginning net position for fiduciary activities (\$4.8 million increase) as a result of implementing GASB Statement No. 84, *Fiduciary Activities*.

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, the 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, 2021, 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 post-employment 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, and the listing of Agency Officials on page 1, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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 page 1 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 June 10, 2022 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  
June 10, 2022

**State of Illinois**  
**Department of Human Services**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
 June 30, 2021 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Net Position
<b>ASSETS</b>					
Unexpended appropriations	\$ 457,384	\$ 386	\$ 457,770	\$ -	\$ 457,770
Cash deposited with State Treasurer	59,927	288,504	348,431	-	348,431
Cash and cash equivalents	189	4,363	4,552	-	4,552
Securities lending collateral equity with State Treasurer	19,509	26,891	46,400	-	46,400
Investments	-	545	545	-	545
Due from other government - federal	92,674	134,079	226,753	-	226,753
Due from other government - local	-	365	365	-	365
Taxes receivable, net	-	10	10	-	10
Loans and notes receivable, net	-	421	421	-	421
Due from other Department funds	3,697	33,705	37,402	(37,402)	-
Due from other State funds	85	9,886	9,971	-	9,886
Inventories	5,314	2,676	7,990	-	7,990
Prepaid expenses	-	-	-	174	174
Recipient services and other receivables, net	5,221	113,077	118,298	-	118,298
Capital assets not being depreciated	-	-	-	22,503	22,503
Capital assets being depreciated, net	-	-	-	260,604	260,604
<b>Total assets</b>	<b>644,000</b>	<b>614,823</b>	<b>1,258,823</b>	<b>243,879</b>	<b>1,504,702</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - OPEB	-	-	-	571,759	571,759
Deferred outflows of resources - SERS pensions	-	-	-	911,231	911,231
Deferred outflows of resources - TRS pensions	-	-	-	214	214
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,483,204</b>	<b>1,483,204</b>
<b>Total assets and deferred outflows of resources</b>	<b>644,000</b>	<b>614,823</b>	<b>1,258,823</b>		
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	356,028	201,803	557,831	-	557,831
Due to other governments - federal	4,904	52,711	57,615	-	57,615
Due to other governments - local	8,897	13,997	22,894	-	22,894
Due to other Department fiduciary funds	11	11	22	-	11
Due to other State fiduciary funds	49	1,729	1,778	-	1,778
Due to other Department funds	33,995	3,407	37,402	(37,402)	-
Due to other State funds	86,950	21,570	108,420	-	108,420
Due to State of Illinois component units	3,442	6,590	10,032	-	10,032
Unearned revenue	-	20,340	20,340	-	20,340
Obligations under securities lending of State Treasurer	19,509	26,891	46,400	-	46,400
Long-term obligations:					
Due within one year	-	-	-	131,137	131,137
Due subsequent to one year	-	-	-	13,703,342	13,703,342
<b>Total liabilities</b>	<b>513,685</b>	<b>349,038</b>	<b>862,723</b>	<b>13,797,077</b>	<b>14,659,800</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	59,021	113,828	172,849	(172,849)	-
Deferred inflows of resources - OPEB	-	-	-	775,479	775,479
Deferred inflows of resources - SERS pensions	-	-	-	239,594	239,594
Deferred inflows of resources - TRS pensions	-	-	-	792	792
<b>Total deferred inflows of resources</b>	<b>59,021</b>	<b>113,828</b>	<b>172,849</b>	<b>843,016</b>	<b>1,015,865</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances (Deficit):					
Nonspendable	-	-	-	-	-
Restricted	5,314	3,780	9,094	(9,094)	-
Committed	21,216	23,716	44,932	(44,932)	-
Unassigned	33,216	181,083	214,299	(214,299)	-
Net Position (Deficit):	11,548	(56,622)	(45,074)	45,074	-
Net investment in capital assets	-	-	-	280,305	280,305
Restricted for:					
Community developmental disabilities programs	-	-	-	9,665	9,665
Supplemental nutrition assistance program	-	-	-	11,939	11,939
Temporary assistance to needy families	-	-	-	11,477	11,477
Aid to the aged, blind and disabled	-	-	-	11,234	11,234
Vocational rehabilitation	-	-	-	17,573	17,573
Home services	-	-	-	9,691	9,691
Other health and social service programs	-	-	-	33,211	33,211
Restricted-funds held as permanent investments:					
Nonexpendable purposes	-	-	-	1,104	1,104
Expendable purposes	-	-	-	290	290
Unrestricted net position (deficit)	-	-	-	(13,074,248)	(13,074,248)
<b>Total fund balances/net position (deficit)</b>	<b>71,294</b>	<b>151,957</b>	<b>223,251</b>	<b>(13,074,248)</b>	<b>(12,687,759)</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>644,000</b>	<b>614,823</b>	<b>1,258,823</b>	<b>(12,911,010)</b>	<b>(12,687,759)</b>

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, 2021**  
**(Expressed in Thousands)**

<b>Total fund balances - governmental funds</b>		\$	223,251
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.			283,107
Prepaid expenses for governmental activities are current uses of financial resources in the governmental funds.			174
Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.			172,849
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	(7,198,370)		
Net pension liability - TRS	(816)		
Deferred outflows of resources - SERS pensions	911,231		
Deferred outflows of resources - TRS pensions	214		
Deferred inflows of resources - SERS pensions	(239,594)		
Deferred inflows of resources - TRS pensions	<u>(792)</u>		(6,528,127)
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:			
Net OPEB Liability	(6,556,205)		
Deferred outflows of resources - OPEB	571,759		
Deferred inflows of resources - OPEB	<u>(775,479)</u>		(6,759,925)
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	(2,802)		
Compensated absences	<u>(76,286)</u>		<u>(79,088)</u>
<b>Net position (deficit) of governmental activities</b>		<b>\$</b>	<b><u>(12,687,759)</u></b>

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, 2021 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	\$ 5,153,465	\$ 7,637,036	\$ 12,790,501	\$ 320,527	\$ 13,111,028
Debt service - principal	638	279	917	(917)	-
Debt service - interest	340	548	888	-	888
Capital outlays	36,789	4,919	41,708	(41,708)	-
<b>Total expenditures/expenses</b>	<b>5,191,232</b>	<b>7,642,782</b>	<b>12,834,014</b>	<b>277,902</b>	<b>13,111,916</b>
Program revenues:					
Charges for services:					
Licenses and fees	89	7,364	7,453	-	7,453
Other charges for services	114	39,988	40,102	(27,678)	12,424
Total charges for services	203	47,352	47,555	(27,678)	19,877
Operating grant revenue:					
Federal operating grants	618,380	7,428,223	8,046,603	26,822	8,073,425
Other operating grants	1	238	239	56	295
Total operating grant revenue	618,381	7,428,461	8,046,842	26,878	8,073,720
<b>Total program revenues</b>	<b>618,584</b>	<b>7,475,813</b>	<b>8,094,397</b>	<b>(800)</b>	<b>8,093,597</b>
<b>Net program expense</b>					<b>(5,018,319)</b>
General revenues and transfers:					
General revenues:					
Interest and investment income	339	202	541	-	541
Other taxes	-	100	100	-	100
Other revenues	280	6,459	6,739	-	6,739
Appropriations from State resources	5,242,057	6,692	5,248,749	-	5,248,749
Lapsed appropriations	(340,929)	(5,001)	(345,930)	-	(345,930)
Receipts collected and transmitted to State Treasury	(352,525)	(768)	(353,293)	-	(353,293)
Capital lease and installment purchase financing	718	2,112	2,830	(2,830)	-
Transfers:					
Net capital transfers and other adjustments	-	-	-	(2,284)	(2,284)
Amount of SAMS transfers-in	(118,062)	-	(118,062)	-	(118,062)
Amount of SAMS transfers-out	4,763	-	4,763	-	4,763
Transfers-in	21,351	180,329	201,680	(129,352)	72,328
Transfers-out	(129,352)	-	(129,352)	129,352	-
<b>Total general revenues and transfers</b>	<b>4,328,640</b>	<b>190,125</b>	<b>4,518,765</b>	<b>(5,114)</b>	<b>4,513,651</b>
Excess of revenues and transfers-in over (under) expenditures and transfers-out	(244,008)	23,156	(220,852)	220,852	-
Change in net position	-	-	-	(504,668)	(504,668)
Fund balance /net position (deficit), July 1, 2020 (restated)	314,942	128,801	443,743	(12,626,834)	(12,183,091)
Increase (decrease) for changes in inventories	360	-	360	(360)	-
Fund balance /net position (deficit), June 30, 2021	\$ 71,294	\$ 151,957	\$ 223,251	\$ (12,911,010)	\$ (12,687,759)

**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, 2021**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>	\$ (220,852)	
Change in inventories	360	\$ (220,492)
<hr/>		
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	41,708	
Depreciation	(41,552)	
Losses on disposals of capital assets	(286)	(130)
<hr/>		
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.		(2,284)
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.		917
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(800)
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.		(2,830)
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	(198,033)	
Increase in net pension liability - TRS pensions	(78)	
Change in deferred inflows	56,490	
Change in deferred outflows	(18,972)	(160,593)
<hr/>		
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:		
Decrease in OPEB liability	206,679	
Change in deferred inflows	(235,128)	
Change in deferred outflows	(80,423)	(108,872)
<hr/>		
Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds.		(36)
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.		
Increase in compensated absences obligation		(9,548)
<hr/>		
<b>Change in net position (deficit) of governmental activities</b>		<b>\$ (504,668)</b>

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, 2021 (Expressed in Thousands)

	<u>Private Purpose Trust Fund</u>	
	<u>Student College Loan 1409</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,104	\$ 6,458
Investments	-	890
Due from other government - federal	-	33
Loans and notes receivable	30	-
Due from other Department funds	-	11
<b>Total assets</b>	<u>1,134</u>	<u>7,392</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust and other purposes	1,134	-
Restricted for Individuals	-	7,392
<b>Total net position</b>	<u>\$ 1,134</u>	<u>\$ 7,392</u>

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, 2021 (Expressed in Thousands)

	<u>Private Purpose Trust Fund</u>	
	<u>Student College Loan 1409</u>	<u>Custodial Funds</u>
<b>Additions:</b>		
Interest and investment income	\$ 3	\$ 109
Residents deposits received	-	5,931
Other additions	-	42
<b>Total additions</b>	<u>3</u>	<u>6,082</u>
<b>Deductions:</b>		
Health and social services	\$ 8	\$ -
Disbursements for and to residents	-	3,441
Other deductions	-	48
<b>Total deductions</b>	<u>8</u>	<u>3,489</u>
<b>Net (decrease) increase in fiduciary net position</b>	(5)	2,593
Net position, July 1, 2020 (restated)	<u>1,139</u>	<u>4,799</u>
<b>Net position, June 30, 2021</b>	<u>\$ 1,134</u>	<u>\$ 7,392</u>

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

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**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 Office of Comptroller) 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 Annual Comprehensive Financial Report may be obtained by accessing the Office of Comptroller'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 Department 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, 2021 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 Annual Comprehensive 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



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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 Office of 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' Annual Comprehensive 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 eleven 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, State Coronavirus Urgent Remediation Emergency (CURES), 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.

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**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. The Department does not have any major permanent funds to disclose.

***Fiduciary Fund Types:***

**Private Purpose Trust** – These funds account for resources held in a trust for which the Department itself is not a beneficiary. The resources are dedicated to providing benefits to individuals the Department serves. All resources of these funds, including any earnings on invested resources, may be used to support these individuals. During fiscal year 2021, the balance of private purpose trust fund 0123 (Hansen-Therkelsen Memorial Deaf Student College Fund) was reclassified to fund 1409 (Student College Loan Fund).

**Custodial** – These funds account for receipts from individuals or groups of individuals residing at the Department's mental health and developmental centers, and schools. These funds are collected by the Department, acting in the capacity of an agent, for distribution to benefit 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, State Coronavirus Urgent Remediation Emergency (CURES), 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'

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Annual Comprehensive 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 2021, the lapse period was extended through September.

***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 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 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.

**(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

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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

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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, which are also reported as deferred inflows.

**(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).

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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.

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**(p) Fund Balances**

For the year ended June 30, 2021, 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, net position 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".

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**(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, 2021, the Department adopted the following GASB statements:

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. The requirements of this statement resulted in the restatement of beginning net position for fiduciary funds as discussed in Note 15.

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. The implementation of this statement had no financial impact on the Department's net position or results of operations.

Statement No. 93, *Replacement of Interbank Offered Rates*, the primary provision of which is intended to address accounting and financial reporting implications that result from the replacement of an interbank offered rate as an appropriate benchmark interest rate. 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, 2022, 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.



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The portion of Statement No. 92, *Omnibus 2020*, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements related to (a) intra-entity transfers of assets, (b) reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet specified criteria, (c) applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements, (d) exception to acquisition value in a government acquisition and (e) nonrecurring fair value measurements.

The portion of Statement No. 93, *Replacement of Interbank Offered Rates*, which is intended to remove the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate, and the provisions for lease modifications resulting from a change in the index rate used for variable payments.

The portion of Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, which is intended to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Effective for the year ending June 30, 2023, 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.

Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, which is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

The Department has not yet determined the impact of adopting these statements on its financial statements; however, the Statement No. 87, *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

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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' Annual Comprehensive 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 \$11.360 million (\$3.981 million and \$7.379 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, 2021, which are held outside of the State Treasury (amounts expressed in thousands):

**Investments Measured at Fair Value**

	Fair Value Measurements Using			
	6/30/21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Governmental Activities</i>				
U.S. Treasury Notes	\$ 25	\$ 25	\$ -	\$ -
U.S. Agency Obligations	10	10	-	-
<b>Total Governmental Activities</b>	<b>\$ 35</b>	<b>\$ 35</b>	<b>\$ -</b>	<b>\$ -</b>

The Department also has \$2.105 million invested with The Illinois Funds (\$1.058 million in Governmental Activities and \$1.047 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

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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 (\$35,000).

**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:

	<b>Cash &amp; Cash Equivalents/ Deposits</b>	<b>Investments</b>
<b>Governmental Activities</b>		
Amounts per notes 3 (a) and 3 (b)	\$ 3,981	\$ 1,093
Deposits held for investment purposes	(510)	510
Cash equivalents	1,058	(1,058)
Petty cash	23	-
<b>Amounts per Statement of Net Position</b>	<b>\$ 4,552</b>	<b>\$ 545</b>
<b>Fiduciary Funds</b>		
Amounts per notes 3 (a) and 3 (b)	\$ 7,379	\$ 1,047
Deposits held for investment purposes	(890)	890
Cash equivalents	1,047	(1,047)
Petty cash	26	-
<b>Amounts per Statement of Fiduciary Net Position</b>	<b>\$ 7,562</b>	<b>\$ 890</b>

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**NOTE (4) - Other Receivables**

Recipient services and other receivables, net at June 30, 2021 (amounts expressed in thousands) consisted of the following:

<u>Revenue Source</u>	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>
Fines	\$ -	\$ 23
Rebates	-	7,756
Recipient services and recoveries	8,595	377,455
Public assistance recoveries	9,594	991
Interest and other Income	13	18
Total other receivables	18,202	386,243
Allowance for uncollectible amounts	(12,981)	(273,166)
<b>Other receivables, net</b>	<b>\$ 5,221</b>	<b>\$ 113,077</b>

**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 2021, 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 2021 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 2021 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2021, 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.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2021 arising from securities lending agreements to the various funds of the State. The total allocated to the Department as of June 30, 2021 was \$46.4 million.

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**NOTE (6) - Interfund Balances and Activity**

**(a) Balances Due from/to Other Funds**

The following balances (amounts expressed in thousands) at June 30, 2021 represent amounts due from other Department and State of Illinois funds:

Fund Type	Due from Other		Description/Purpose
	Department Funds	State Funds	
General	\$ 3,697	\$ 85	See comment that follows
Nonmajor governmental	33,705	9,801	See comment that follows
	<u>\$ 37,402</u>	<u>\$ 9,886</u>	

**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, 2021 represent amounts due to other Department and State of Illinois funds:

Fund Type	Due to Other				Description/Purpose
	Department Funds	Department Fiduciary	State Funds	State Fiduciary	
General	\$ 33,995	\$ 11	\$ 86,850	\$ 49	See comment that follows
Nonmajor governmental	3,407	-	21,570	1,729	See comment that follows
	<u>\$ 37,402</u>	<u>\$ 11</u>	<u>\$ 108,420</u>	<u>\$ 1,778</u>	

**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, 2021 were as follows:

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<u>Fund Type</u>	<u>Transfers in from Other</u>			<u>Description/Purpose</u>
	<u>Department Funds</u>	<u>State Funds</u>	<u>Total</u>	
General	\$ -	\$ 21,351	\$ 21,351	Transfers from other Department funds and other State funds pursuant to statute and annual appropriations.
Nonmajor governmental	129,352	50,977	180,329	Transfers from other Department funds and other State funds pursuant to statute, annual appropriations and due to forgiveness of interfund debt.
<b>Totals</b>	<b>\$ 129,352</b>	<b>\$ 72,328</b>	<b>\$ 201,680</b>	

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2021 were as follows:

<u>Fund Type</u>	<u>Transfers out to Other</u>			<u>Description/Purpose</u>
	<u>Department Funds</u>	<u>State Funds</u>	<u>Total</u>	
General	\$ 129,352	\$ -	\$ 129,352	Transfers to other Department funds pursuant to statute and forgiveness of interfund debt.
<b>Totals</b>	<b>\$ 129,352</b>	<b>\$ -</b>	<b>\$ 129,352</b>	

**(c) Balances due to State of Illinois Component Units**

The following balances (amounts expressed in thousands) at June 30, 2021 represent amounts due to State of Illinois component units for reimbursement for expenses incurred:

<u>Component Unit</u>	<u>Due to Amounts</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Toll Highway Authority	\$ 6	\$ -
Chicago State University	-	1
Eastern Illinois University	161	132
Governors State University	36	92
Northeastern Illinois University	-	70
Western Illinois University	-	128
Illinois State University	-	59
Northern Illinois University	-	3
Southern Illinois University	147	1,841
University of Illinois	3,092	4,264
<b>Totals</b>	<b>\$ 3,442</b>	<b>\$ 6,590</b>

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**NOTE (7) - Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2021 was as follows:

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Net Transfers</b>	<b>Balance June 30, 2021</b>
<b>Capital assets not being depreciated/amortized:</b>					
Land and land improvements	\$ 2,889	\$ -	\$ -	\$ -	\$ 2,889
Construction in progress	13,098	-	116	6,632	19,614
Internally generated intangible assets in development	-	21,011	-	(21,011)	-
<b>Total capital assets not being depreciated/amortized</b>	<b>15,987</b>	<b>21,011</b>	<b>116</b>	<b>(14,379)</b>	<b>22,503</b>
<b>Capital assets being depreciated/amortized:</b>					
Site improvements	78,062	-	-	424	78,486
Buildings and building improvements	552,413	-	(23)	11,671	564,107
Equipment	33,574	4,868	1,683	(13)	36,746
Capital leases - equipment	1,664	2,830	917	-	3,577
Non-internally generated software	204	-	-	-	204
Internally generated software	263,046	12,999	-	-	276,045
<b>Total capital assets being depreciated/amortized</b>	<b>928,963</b>	<b>20,697</b>	<b>2,577</b>	<b>12,082</b>	<b>959,165</b>
<b>Less accumulated depreciation/amortization:</b>					
Site improvements	75,877	712	-	-	76,589
Buildings and building improvements	462,565	9,444	(23)	-	472,032
Equipment	25,181	1,832	1,513	(13)	25,487
Capital leases - equipment	972	1,045	917	-	1,100
Non-internally generated software	196	8	-	-	204
Internally generated software	94,638	28,511	-	-	123,149
<b>Total accumulated depreciation/amortization</b>	<b>659,429</b>	<b>41,552</b>	<b>2,407</b>	<b>(13)</b>	<b>698,561</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>269,534</b>	<b>(20,855)</b>	<b>170</b>	<b>12,095</b>	<b>260,604</b>
<b>Total capital assets, net</b>	<b>\$ 285,521</b>	<b>\$ 156</b>	<b>\$ 286</b>	<b>\$ (2,284)</b>	<b>\$ 283,107</b>

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2021 was charged as follows:

Health and social services \$ 41,552

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**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, 2021 were as follows:

	July 1, 2020 (as restated)	Additions	Deletions	June 30, 2021	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 66,738	\$ 106,359	\$ 96,811	\$ 76,286	\$ 5,995
Capital lease obligations	889	2,830	917	2,802	771
OPEB liability	6,762,884	-	206,679	6,556,205	124,371
Net pension liability - SERS	7,000,337	198,033	-	7,198,370	-
Net pension liability - TRS	738	78	-	816	-
<b>Totals</b>	<u>\$ 13,831,586</u>	<u>\$ 307,300</u>	<u>\$ 304,407</u>	<u>\$ 13,834,479</u>	<u>\$ 131,137</u>

The OPEB liability as of July 1, 2020 was restated, see Note 15. 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 through 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 \$3,577 and \$1,100, 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, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 771	\$ 746	\$ 1,517
2023	661	505	1,166
2024	653	297	950
2025	654	120	774
2026	63	1	64
<b>Totals</b>	<u>\$ 2,802</u>	<u>\$ 1,669</u>	<u>\$ 4,471</u>

**(c) Asset Retirement Obligations**

The Department operates two coal-fired power plants, and has one idle plant that produces 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.



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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, 129 special districts, and 10 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2020. 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](http://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](http://www.trsil.org).

**Benefit provisions**

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.

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<b>Regular Formula Tier 1</b>	<b>Regular Formula Tier 2</b>
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 60, with 8 years of service credit.</li> <li>• Any age, when the member's age (years &amp; whole months) plus years of service credit (years &amp; whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service.</li> <li>• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li> </ul> <p>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.</p> <p>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.</p> <p>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.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 67, with 10 years of credited service.</li> <li>• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li> </ul> <p>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. The calendar year 2020 rate is \$115,929.</p> <p>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.</p> <p>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.</p>

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.

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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 (ILCS). 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 2021, this amount was \$116,740.

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 SERS 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 2021, 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 2021, the employer contribution rate was 54.831%. The Department's contribution amount for fiscal year 2021 was \$44.063 million. In addition, the Department recorded \$455.014 million of revenue 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.

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**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, 2021 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 2021, this amount was \$116,740. The Department's contribution amount for fiscal year 2021 was \$10 thousand. In addition, the Department recorded \$3.162 million of revenue 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, 2021, the Department reported a liability of \$7.2 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, 2020 (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, 2020. As of the current year measurement date of June 30, 2020, the Department's proportion was 20.6441% which was a decrease of .3187 from its proportion measured as of the prior year measurement date of June 30, 2019.

For the year ended June 30, 2021, the Department recognized pension expense of \$674.373 million. At June 30, 2021, 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, 2020 from the following sources (amounts expressed in thousands):

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,399	\$ 28,251
Changes of assumptions	151,849	42,456
Net difference between projected and actual investment earnings on pension plan investments	39,983	-
Changes in proportion	201,834	168,887
Department contributions subsequent to the measurement date	499,166	-
<b>Total</b>	<b>\$ 911,231</b>	<b>\$ 239,594</b>

\$499.166 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, 2022.

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):

<b>Year ended June 30,</b>	<b>SERS</b>
2022	\$ (29)
2023	75,574
2024	72,883
2025	24,043
<b>Total</b>	<b>\$ 172,471</b>

**Teachers' Retirement System**

At June 30, 2021, the Department reported a liability of \$816 thousand 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 \$63.907 million. The total net pension liability for the Department's employees participating in TRS was \$64.723 million as of the measurement date. The net pension liability was measured as of June 30, 2020 (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, 2019, and rolled forward to June 30, 2020. 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, 2020. At June 30, 2020, the measurement date, the Department's proportionate share was 0.00095151% for the TRS plan, which was a .000041 increase from its proportion measured at the prior year measurement date of June 30, 2019.

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For the year ended June 30, 2021, the Department recognized pension expense of \$6.705 million. At June 30, 2021, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8	\$ -
Changes of assumptions	3	8
Net difference between projected and actual investment earnings on pension plan investments	25	-
Changes in proportion	168	784
Department contributions subsequent to the measurement date	10	-
<b>Total</b>	<u>\$ 214</u>	<u>\$ 792</u>

\$10 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, 2022.

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):

<u>Year ended June 30,</u>	<u>TRS</u>
2022	\$ (261)
2023	(207)
2024	(111)
2025	(12)
2026	3
Total	<u>\$ (588)</u>

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**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:

	<u>SERS</u>	<u>TRS</u>
Valuation date	6/30/2020	6/30/2019*
Measurement date	6/30/2020	6/30/2020
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	6.75%	7.00%
Projected salary increases**	2.75% - 7.17%	4.00% - 9.50%
Inflation rate	2.25%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI <sup>^</sup> , on original benefit	1.25% not compounded
Retirement age experience study <sup>^^</sup>	July 2015 - June 2018	July 2014 - June 2017
Mortality <sup>^^^</sup>		
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018	
TRS	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017	
Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date.		
* The total pension liability is based on an actuarial valuation date of June 30, 2019, rolled-forward to the measurement date using generally accepted actuarial procedures.		
** Includes inflation rate listed.		
<sup>^</sup> Consumer Price Index		
<sup>^^</sup> The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.		
<sup>^^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.		

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**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, 2020, 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%	5.90%
Emerging Market Equity	8.0%	7.80%
Private Equity	7.0%	7.50%
Intermediate Investment Grade Bonds	14.0%	1.10%
Long-term Government Bonds	4.0%	1.10%
TIPS	4.0%	1.00%
High Yield and Bank Loans	5.0%	3.70%
Opportunistic Debt	8.0%	4.70%
Emerging Market Debt	2.0%	2.70%
Real Estate	10.0%	3.20%
Infrastructure	2.0%	3.90%
<b>Total</b>	<b><u>100%</u></b>	

**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.



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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, that were used by the actuary are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities Large Cap	16.5%	6.10%
U.S. Equities Small/Mid Cap	2.3%	7.20%
International Equities Developed	12.2%	7.00%
Emerging Market Equities	3.0%	9.40%
U.S. Bonds Core	7.0%	2.20%
U. S. Bonds High Yield	2.5%	4.10%
International Debt Developed	3.1%	1.50%
Emerging International Debt	3.2%	4.50%
Real Estate	16.0%	5.70%
Private Debt	5.2%	6.30%
Hedge Funds	10.0%	4.30%
Private Equity	15.0%	10.50%
Infrastructure	4.0%	6.20%
<b>Total</b>	<b>100%</b>	

**Discount rate**

**State Employees' Retirement System**

A discount rate of 6.35% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.45%, based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index". 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, as compared to a discount rate of 6.47% used at the prior measurement date. This single 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. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected member and employer contributions for future plan members are included, to the extent that they exceed the service costs of future plan members. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2020. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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**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):

	<b>SERS</b>		
	<b>1%</b>	<b>Discount</b>	<b>1%</b>
	<b>Decrease</b>	<b>Rate</b>	<b>Increase</b>
	<b>5.35%</b>	<b>6.35%</b>	<b>7.35%</b>
Department's proportionate share of the SERS net pension liability	\$ 8,701,503	\$ 7,198,370	\$ 5,962,863
	<b>TRS</b>		
	<b>1%</b>	<b>Discount</b>	<b>1%</b>
	<b>Decrease</b>	<b>Rate</b>	<b>Increase</b>
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Department's proportionate share of the TRS net pension liability	\$ 990	\$ 816	\$ 672

**Payables to the pension plan.** At June 30, 2021, the Department reported a payable of \$1.8 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2021.

**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 General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) 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 administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). 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.

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**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, 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 General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$12,260.64 (\$6,910.32 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$15,224.16 (\$6,449.28 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, 2021, was measured as of June 30, 2020, with an actuarial valuation as of June 30, 2019. Update procedure were used to roll-forward the total OPEB liability to the measurement date. At June 30, 2021, the Department recorded a liability of \$6.556 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, 2020. As of the current year measurement date of June 30, 2020, the Department's proportion was 15.4749%, which was an increase of .0659 from its proportion measured as of the prior year measurement date of June 30, 2019, as restated.

The Department recognized OPEB expense for the year ended June 30, 2021, of \$238.283 million. In addition, the Department recorded \$116.587 million of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Department employees that were paid from statewide General Revenue Fund appropriations.

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At June 30, 2021, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

**Deferred outflows of resources**

Differences between expected and actual experience	\$ 37,102
Changes in assumptions	179,167
Changes in proportion and differences between employer contributions and proportionate share of contributions	231,119
Department contributions subsequent to the measurement date	124,371
<b>Total deferred outflows of resources</b>	<u><u>\$ 571,759</u></u>

**Deferred inflows of resources**

Differences between expected and actual experience	\$ 70,598
Changes in assumptions	658,405
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,476
<b>Total deferred inflows of resources</b>	<u><u>\$ 775,479</u></u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2022. 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):

<u>Year ended June 30,</u>	<u>Amount</u>
2022	\$ (170,497)
2023	(95,473)
2024	17,270
2025	(68,441)
2026	(10,950)
Total	<u><u>\$ (328,091)</u></u>

**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, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2019. The assumptions changed from fiscal year 2020 and are as follows:

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<b>Valuation Date</b>	June 30, 2019
<b>Measurement Date</b>	June 30, 2020
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial assumptions:</b>	
<b>Inflation Rate</b>	2.25%
<b>Projected Salary Increases*</b>	2.50% - 12.25%
<b>Healthcare Cost Trend Rate:</b>	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.
<b>Retirees' share of benefit-related costs</b>	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 2020 and 2021 are based on actual premiums. Premiums after 2021 were projected based on the same healthcare cost trend rates applied to per capita claim costs.
<p>Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:</p>	
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
<b>Healthcare Cost Trend Rate:</b>	
Medical and Rx (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical and Rx (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%
<p>* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.</p>	

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Additionally, the demographic assumptions used in this OPEB valuation for GARS, JRS and SERS have updated retirement age experience study ranges as compared to fiscal year 2020. The following assumptions changed from fiscal year 2020 and are as follows:

	<u>Retirement age experience study<sup>^</sup></u>	<u>Mortality<sup>^^</sup></u>
<b>GARS</b>	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
<b>JRS</b>	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
<b>SERS</b>	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
<b>TRS</b>	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
<b>SURS</b>	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
<sup>^</sup> The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.		
<sup>^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.		

**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 3.13% at June 30, 2019, and 2.45% at June 30, 2020, was used to measure the total OPEB liability (a decrease of 0.68).

**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 2.45%, 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 (3.45%) or lower (1.45%) than the current rate (amounts expressed in thousands):

	<b>1% Decrease (1.45%)</b>	<b>Current Single Discount Rate Assumption (2.45%)</b>	<b>1% Increase (3.45%)</b>
Total OPEB liability	\$ 7,717,240	\$ 6,556,205	\$ 5,630,239

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**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 8.25%, fiscal year 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates Assumption</b>	<b>1% Increase</b>
Total OPEB liability	\$ 5,488,516	\$ 6,556,205	\$ 7,956,233

One percentage point decrease in healthcare trend rates are 7.25% in fiscal year 2021 decreasing to an ultimate trend rate of 3.25% in fiscal year 2037.

One percentage point increase in healthcare trend rates are 9.25% in fiscal year 2021 decreasing to an ultimate trend rate of 5.25% in fiscal year 2037.

**NOTE (11) - Fund Balances**

**(a) Categories**

At June 30, 2021, the Department's governmental fund balances were classified as follows:

	<b>General Fund</b>	<b>Other Nonmajor Funds</b>	<b>Total</b>
<b>Nonspendable:</b>			
Inventory	\$ 5,314	\$ 2,676	\$ 7,990
Permanent endowments	-	1,104	1,104
<b>Total nonspendable</b>	<u>5,314</u>	<u>3,780</u>	<u>9,094</u>
<b>Restricted Purposes:</b>			
Community developmental disabilities programs	9,665	-	9,665
Home services program	9,691	-	9,691
Vocational rehabilitation programs	-	17,565	17,565
Other programs	1,860	6,151	8,011
<b>Total restricted</b>	<u>21,216</u>	<u>23,716</u>	<u>44,932</u>
<b>Committed Purposes:</b>			
Child care programs	-	69,809	69,809
Veteran's rehabilitation	9,409	-	9,409
Medical assistance programs	15,417	52,349	67,766
Mental health programs	8,390	23,127	31,517
Information technology initiatives	-	6,814	6,814
Other programs	-	28,984	28,984
<b>Total committed</b>	<u>33,216</u>	<u>181,083</u>	<u>214,299</u>
<b>Unassigned</b>	<u>11,548</u>	<u>(56,622)</u>	<u>(45,074)</u>
<b>Total fund balance</b>	<u>\$ 71,294</u>	<u>\$ 151,957</u>	<u>\$ 223,251</u>

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**(b) Fund Deficits**

The Care Provider Fund for Persons with a Developmental Disability, a subaccount of the General Fund, had a fund deficit of \$422 (expressed in thousands), at June 30, 2021. The Prevention and Treatment of Alcoholism and Substance Abuse Block Grant, DHS Federal Projects, Special Olympics Illinois, DHS State Projects, Alcoholism and Substance Abuse, USDA Women, Infants and Children, Juvenile Justice Trust, and DHS Recoveries Trust, non-major governmental funds, had fund deficits (expressed in thousands) of \$1,784, \$7,880, \$1, \$90, \$6,040, \$46, \$126, and \$40,655, respectively, at June 30, 2021.

**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, 2021.

**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 the number of applications and other factors. These delays resulted in applications not being reviewed and approved or denied within the mandated timeframe. The retroactive benefits associated with the unprocessed applications and redeterminations 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 \$459 million, for benefits established on or before June 30, 2021. Additionally, it is estimated that \$394 million will be recorded as a liability to the Federal government for their share of overpayment collections. The rate used to calculate this amount, 8.84%, came from a July 6, 2020, letter from the USDA. This was the calculated rate for fiscal year 2019 which is the most recent calculation of the official payment error rate by the USDA.



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**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 is 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) Covid-19 Considerations**

These financial statements include some adjustments related to the impact of COVID-19 (Coronavirus) on programs and benefits the Department administers. Uncertainty remains as to any future potential reimbursement of costs incurred due to the pandemic, how long the current situation will last and the ongoing impact to program costs and benefits.

**Note (15) Prior Period Adjustment**

The Department's financial statements have been restated as of June 30, 2020. The Governmental Activities beginning net position and Fiduciary Funds beginning net position were restated as a result of the following:

**(a) Implementation of GASB Statement No. 84, Fiduciary Activities**

The Department's financial statements have been restated as of June 30, 2020 as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, (GASB 84) which requires fiduciary activity to be evaluated based on updated guidance. Under GASB 84, the Department funds previously reported as agency fund types under pre-GASB 84 guidance are now reported as custodial funds. The Department determined beginning net position as a result of implementation of GASB 84 for custodial funds.

**(b) Error correction**

During fiscal year 2021, an error correction resulted in a restatement to beginning net position as indicated in the table below. This error correction occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for Tollway employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities to record their OPEB activity. At

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the Department, this correction also impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources.

	<u>Governmental Activities</u>	<u>Fiduciary Funds - Custodial Funds</u>
<b>July 1, 2020, as previously reported</b>	\$ (11,052,586)	\$ -
Implementation of GASB 84 (a)	-	4,799
Error correction - OPEB (b)	<u>(1,130,505)</u>	<u>-</u>
<b>July 1, 2020, as restated</b>	<u>\$ (12,183,091)</u>	<u>\$ 4,799</u>

The Department was unable to determine the impact on the reported fiscal year 2020 change in net position.

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**Combining Schedule of**  
**Accounts - General Fund**  
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	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	State CURES 0324
<b>ASSETS</b>							
Unexpended appropriations	\$ 457,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	500	25	1,486	26,269	6,547	-	-
Cash and cash equivalents	189	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	466	7,528	2,812	-	-
Due from other government - federal	80,944	-	-	-	3,376	-	-
Recipient services and other receivables, net	4,733	1	-	6	2	-	-
Due from other Department funds	3,375	9,526	-	32	-	-	290
Due from other State funds	1	-	84	-	-	-	-
Inventories	5,314	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 552,342</b>	<b>\$ 9,552</b>	<b>\$ 2,036</b>	<b>\$ 33,835</b>	<b>\$ 12,737</b>	<b>\$ -</b>	<b>\$ 290</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 331,862	\$ 77	\$ -	\$ 16,542	\$ 260	\$ -	\$ -
Due to other governments - federal	4,896	6	-	-	-	-	-
Due to other governments - local	8,519	-	-	34	-	-	-
Due to other Department fiduciary funds	11	-	-	-	-	-	-
Due to other State fiduciary funds	-	43	-	-	-	-	-
Due to other Department funds	43,521	-	-	-	-	-	-
Due to other State funds	86,786	17	-	29	-	-	-
Due to State component units	3,431	-	-	11	-	-	-
Obligations under securities lending of State Treasurer	-	-	466	7,528	2,812	-	-
<b>Total liabilities</b>	<b>479,026</b>	<b>143</b>	<b>466</b>	<b>24,144</b>	<b>3,072</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	56,032	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>56,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	5,314	-	-	-	-	-	-
Restricted	-	-	1,570	9,691	9,665	-	290
Committed	-	9,409	-	-	-	-	-
Unassigned	11,970	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>17,284</b>	<b>9,409</b>	<b>1,570</b>	<b>9,691</b>	<b>9,665</b>	<b>-</b>	<b>290</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>\$ 552,342</b>	<b>\$ 9,552</b>	<b>\$ 2,036</b>	<b>\$ 33,835</b>	<b>\$ 12,737</b>	<b>\$ -</b>	<b>\$ 290</b>

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Schedule of**  
**Accounts - General Fund**  
 June 30, 2021 (Expressed in Thousands)

	Care Provider Fund for Persons with a Developmental Disability 0344	Health and Human Services		Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718		Eliminations	Total
		Medicaid Trust 0365	Human Services 0366			Medicaid Trust 0718	Medicaid Trust 0718		
<b>ASSETS</b>									
Unexpended appropriations	98	\$ -	\$ -	-	\$ -	-	\$ -	-	\$ 457,384
Cash deposited with State Treasurer	-	14,063	-	-	-	11,037	-	-	59,927
Cash and cash equivalents	-	-	-	-	-	-	-	-	189
Securities lending collateral equity with State Treasurer	-	4,684	-	-	-	4,019	-	-	19,509
Due from other government - federal	-	1,239	-	-	-	7,115	-	-	92,674
Recipient services and other receivables, net	-	67	409	-	-	3	-	-	5,221
Due from other Department funds	-	-	-	-	-	-	(9,526)	-	3,697
Due from other State funds	-	-	-	-	-	-	-	-	85
Inventories	-	-	-	-	-	-	-	-	5,314
<b>Total assets</b>	<b>98</b>	<b>\$ 20,053</b>	<b>\$ 409</b>	<b>\$ 409</b>	<b>\$ 22,174</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ 644,000</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	520	\$ 361	\$ -	-	\$ 6,406	\$ -	-	-	\$ 356,028
Due to other governments - federal	-	-	-	-	-	2	-	-	4,904
Due to other governments - local	-	-	-	-	344	-	-	-	8,897
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-	11
Due to other State fiduciary funds	-	-	-	-	-	6	-	-	49
Due to other Department funds	-	-	-	-	-	-	(9,526)	-	33,995
Due to other State funds	-	-	-	-	-	18	-	-	86,850
Due to State component units	-	-	-	-	-	-	-	-	3,442
Obligations under securities lending of State Treasurer	-	4,684	-	-	-	4,019	-	-	19,509
<b>Total liabilities</b>	<b>520</b>	<b>\$ 5,045</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,795</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ 513,685</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue	-	-	-	-	-	2,989	-	-	59,021
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,989</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,021</b>
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable	-	-	-	-	-	-	-	-	5,314
Restricted	-	-	-	-	-	-	-	-	21,216
Committed	-	15,008	409	-	-	8,390	-	-	33,216
Unassigned	(422)	-	-	-	-	-	-	-	11,548
<b>Total fund balances (deficits)</b>	<b>(422)</b>	<b>\$ 15,008</b>	<b>\$ 409</b>	<b>\$ -</b>	<b>\$ 8,390</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,294</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>98</b>	<b>\$ 20,053</b>	<b>\$ 409</b>	<b>\$ -</b>	<b>\$ 22,174</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ (9,526)</b>	<b>\$ 644,000</b>

**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, 2021 (Expressed in Thousands)

	General Revenue 0001	Illinois Veterans' Rehabilitation 0036	Special Olympics Illinois and Charities 0073	Home Services Medicaid Trust 0120	Community Developmental Disabilities Trust 0142	CMS vs AFSCME Wages Trust 0168	State CURES 0324
<b>REVENUES</b>							
Federal operating grants, net of refunds	\$ 232,569	-	-	\$ 234,019	\$ 45,794	-	\$ 59,700
Licenses and fees, net of refunds	89	-	-	-	-	-	-
Interest and investment income	-	-	2	136	72	-	-
Other charges for services, net of refunds	114	-	-	-	-	-	-
Other operating grants	1	-	-	-	-	-	-
Other revenues, net of refunds	248	-	-	32	-	-	-
<b>Total revenues</b>	<b>233,021</b>	<b>-</b>	<b>2</b>	<b>234,187</b>	<b>45,866</b>	<b>-</b>	<b>59,700</b>
<b>EXPENDITURES</b>							
Health and social services	4,640,120	5,847	1,000	234,378	66,061	(140)	59,700
Debt service - principal	611	-	-	27	-	-	-
Debt service - interest	326	-	-	14	-	-	-
Capital outlays	36,786	-	-	3	-	-	-
<b>Total expenditures</b>	<b>4,677,843</b>	<b>5,847</b>	<b>1,000</b>	<b>234,422</b>	<b>66,061</b>	<b>(140)</b>	<b>59,700</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,444,822)</b>	<b>(5,847)</b>	<b>(998)</b>	<b>(235)</b>	<b>(20,195)</b>	<b>140</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	5,135,057	-	-	-	-	-	62,000
Lapsed appropriations	(332,752)	-	-	-	-	-	(2,010)
Receipts collected and transmitted to State Treasury	(292,633)	-	-	-	-	-	(59,700)
Amount of SAMS transfers-in	(118,062)	-	-	-	-	-	-
Amount of SAMS transfers-out	4,763	-	-	-	-	-	-
Transfers-in	-	4,763	1,351	-	-	-	-
Transfers-out	(134,115)	-	-	-	-	-	-
Capital lease and installment purchase financing	715	-	-	3	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>4,262,973</b>	<b>4,763</b>	<b>1,351</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>290</b>
<b>Net change in fund balances</b>	<b>(181,849)</b>	<b>(1,084)</b>	<b>353</b>	<b>(232)</b>	<b>(20,195)</b>	<b>140</b>	<b>290</b>
Fund balances (deficits), July 1, 2020	198,773	10,493	1,217	9,923	29,860	(140)	-
Increase (decrease) for change in inventories	360	-	-	-	-	-	-
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ 17,284</b>	<b>\$ 9,409</b>	<b>\$ 1,570</b>	<b>\$ 9,691</b>	<b>\$ 9,665</b>	<b>\$ -</b>	<b>\$ 290</b>

(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, 2021 (Expressed in Thousands)

	Care Provider Fund for Persons with a Developmental Disability 0344	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Budget Stabilization 0686	Community Mental Health Medicaid Trust 0718	Eliminations	Total
<b>REVENUES</b>							
Federal operating grants, net of refunds	-	10,606	-	-	35,692	-	618,380
Licenses and fees, net of refunds	-	-	-	-	-	-	89
Interest and investment income	-	59	-	-	70	-	339
Other charges for services, net of refunds	-	-	-	-	-	-	114
Other operating grants	-	-	-	-	-	-	1
Other revenues, net of refunds	-	-	-	-	-	-	280
<b>Total revenues</b>	-	10,665	-	-	35,762	-	619,203
<b>EXPENDITURES</b>							
Health and social services	38,980	41,743	(135)	(3)	65,914	-	5,153,465
Debt service - principal	-	-	-	-	-	-	638
Debt service - interest	-	-	-	-	-	-	340
Capital outlays	-	-	-	-	-	-	36,789
<b>Total expenditures</b>	38,980	41,743	(135)	(3)	65,914	-	5,191,232
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(38,980)	(31,078)	135	3	(30,152)	-	(4,572,029)
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	45,000	-	-	-	-	-	5,242,057
Lapsed appropriations	(6,167)	-	-	-	-	-	(340,929)
Receipts collected and transmitted to State Treasury	-	-	(189)	(3)	-	-	(352,525)
Amount of SAMS transfers-in	-	-	-	-	-	-	(118,062)
Amount of SAMS transfers-out	-	-	-	-	-	-	4,763
Transfers-in	-	20,000	-	-	-	(4,763)	21,351
Transfers-out	-	-	-	-	-	4,763	(129,352)
Capital lease and installment purchase financing	-	-	-	-	-	-	718
<b>Net other sources (uses) of financial resources</b>	38,833	20,000	(189)	(3)	-	-	4,328,021
<b>Net change in fund balances</b>	(147)	(11,078)	(54)	-	(30,152)	-	(244,009)
Fund balances (deficits), July 1, 2020	(275)	26,086	463	-	38,542	-	314,942
Increase (decrease) for change in inventories	-	-	-	-	-	-	360
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$(422)</b>	<b>\$ 15,008</b>	<b>\$ 409</b>	<b>\$ -</b>	<b>\$ 8,390</b>	<b>\$ -</b>	<b>\$ 71,294</b>

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (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	Survivors Human Trafficking 0132
<b>ASSETS</b>							
Unexpended appropriations	-	-	-	-	-	-	-
Cash deposited with State Treasurer	93	218	23,066	18,169	1,029	355	11
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	79	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Due from other government - federal	12,795	-	2,336	14,056	-	-	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	10	-	-	-	-
Other receivables, net	99	20	1,080	9	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-
Due from other State funds	-	-	3,272	-	7	-	-
Inventories	-	-	2,676	-	-	-	-
<b>Total assets</b>	<b>\$ 12,987</b>	<b>\$ 317</b>	<b>\$ 32,440</b>	<b>\$ 32,234</b>	<b>\$ 1,036</b>	<b>\$ 355</b>	<b>\$ 11</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	11,201	6	5,329	9,164	35	-	-
Due to other government - federal	4	-	9	110	-	-	-
Due to other government - local	977	-	20	2,104	-	-	-
Due to other State fiduciary funds	33	-	68	801	-	-	-
Due to other Department funds	-	-	-	-	-	-	-
Due to other State funds	68	-	6,146	1,907	-	-	-
Due to State of Illinois component units	704	-	203	575	-	-	-
Unearned revenue	-	-	2,833	-	-	-	-
Obligations under securities lending of State Treasurer	-	79	-	-	-	-	-
<b>Total liabilities</b>	<b>12,987</b>	<b>85</b>	<b>14,608</b>	<b>14,661</b>	<b>35</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	1,784	-	-	8	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>1,784</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	2,676	-	-	-	-
Restricted	-	232	-	17,565	-	-	11
Committed	-	-	15,156	-	1,001	355	-
Unassigned	(1,784)	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>(1,784)</b>	<b>232</b>	<b>17,832</b>	<b>17,565</b>	<b>1,001</b>	<b>355</b>	<b>11</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>\$ 12,987</b>	<b>\$ 317</b>	<b>\$ 32,440</b>	<b>\$ 32,234</b>	<b>\$ 1,036</b>	<b>\$ 355</b>	<b>\$ 11</b>

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

		Special Revenue						
	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211	Autism Research Check-off 0228	Drunk and Drugged Driving Prevention 0276	
<b>ASSETS</b>								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash deposited with State Treasurer	9,236	721	36	45	8,175	4	756	
Cash and cash equivalents	-	-	-	-	-	-	-	
Securities lending collateral equity with State Treasurer	3,300	256	-	-	2,928	-	-	
Investments	-	-	-	-	-	-	-	
Due from other government - federal	-	-	-	-	337	-	-	
Due from other government - local	-	-	-	-	-	-	-	
Taxes receivable, net	-	-	-	-	-	-	-	
Other receivables, net	2	-	-	-	2	-	-	
Loans and notes receivable, net	-	-	-	-	-	-	-	
Due from other Department funds	-	-	-	-	513	-	-	
Due from other State funds	-	-	-	-	-	-	-	
Inventories	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 12,538</b>	<b>\$ 977</b>	<b>\$ 36</b>	<b>\$ 45</b>	<b>\$ 11,955</b>	<b>\$ 4</b>	<b>\$ 756</b>	
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	1,258	600	-	-	2,196	-	31	
Due to other government - federal	-	-	-	-	-	-	1	
Due to other government - local	-	-	-	-	-	-	-	
Due to other State fiduciary funds	3	-	-	-	-	-	9	
Due to other Department funds	-	-	-	-	-	-	-	
Due to other State funds	6	-	-	-	17	-	34	
Due to State of Illinois component units	-	-	-	-	-	-	-	
Unearned revenue	-	-	-	-	-	-	-	
Obligations under securities lending of State Treasurer	3,300	256	-	-	2,928	-	-	
<b>Total liabilities</b>	<b>\$ 4,567</b>	<b>\$ 856</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,141</b>	<b>\$ -</b>	<b>\$ 75</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	-	-	-	-	-	-	-	
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	-	-	-	-	
Restricted	-	121	36	45	-	4	-	
Committed	7,971	-	-	-	6,814	-	681	
Unassigned	-	-	-	-	-	-	-	
<b>Total fund balances (deficits)</b>	<b>7,971</b>	<b>121</b>	<b>36</b>	<b>45</b>	<b>6,814</b>	<b>4</b>	<b>681</b>	
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>\$ 12,538</b>	<b>\$ 977</b>	<b>\$ 36</b>	<b>\$ 45</b>	<b>\$ 11,955</b>	<b>\$ 4</b>	<b>\$ 756</b>	

(Continued)



**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

	Special Revenue						
	Federal National Community Services 0343	Employment and Training 0347	Drug Treatment 0368	Sexual Assault Services 0389	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	Autism Care 0399	DHS Special Purposes Trust 0408
<b>ASSETS</b>							
Unexpended appropriations	-	-	-	-	-	-	-
Cash deposited with State Treasurer	-	38,101	5,904	210	3,327	39	84,120
Cash and cash equivalents	-	-	-	-	1,186	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Due from other government - federal	-	6,926	286	11	-	-	68,367
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	-	-	-	-	1	-	145
Loans and notes receivable, net	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-
Due from other State funds	333	-	377	-	-	-	-
Inventories	-	-	-	-	-	-	-
<b>Total assets</b>	<b>333</b>	<b>45,027</b>	<b>6,567</b>	<b>221</b>	<b>4,514</b>	<b>39</b>	<b>152,632</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	-	37,955	1,704	-	-	-	74,769
Due to other government - federal	-	-	1	-	3,088	-	17
Due to other government - local	-	121	-	-	-	-	1,199
Due to other State fiduciary funds	-	-	3	-	-	-	115
Due to other Department funds	333	-	-	-	-	-	-
Due to other State funds	-	6,926	9	-	-	-	510
Due to State of Illinois component units	-	25	-	-	-	-	309
Unearned revenue	-	-	-	-	240	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	1,186	-	-
<b>Total liabilities</b>	<b>333</b>	<b>45,027</b>	<b>1,717</b>	<b>-</b>	<b>4,514</b>	<b>-</b>	<b>79,735</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	-	-	-	-	-	-	3,088
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,088</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	39	-
Committed	-	-	4,850	221	-	-	69,809
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>-</b>	<b>4,850</b>	<b>221</b>	<b>-</b>	<b>39</b>	<b>69,809</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>333</b>	<b>45,027</b>	<b>6,567</b>	<b>221</b>	<b>4,514</b>	<b>39</b>	<b>152,632</b>

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

		Special Revenue						
	Autism Awareness 0458	Old Age Survivors Insurance 0495	Early Intervention Services Revolving 0502	DHS Community Services 0509	Domestic Violence Abuser Services 0528	DHS Federal Projects 0592	Special Olympics Illinois 0623	
<b>ASSETS</b>								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash deposited with State Treasurer	1	1,331	2,078	49,748	189	7,445	-	
Cash and cash equivalents	-	-	-	-	-	-	-	
Securities lending collateral equity with State Treasurer	-	-	2,534	16,467	-	-	-	
Investments	-	-	-	-	-	-	-	
Due from other government - federal	-	1,865	5,093	-	-	6,038	-	
Due from other government - local	-	-	-	-	2	-	-	
Taxes receivable, net	-	-	-	-	-	-	-	
Other receivables, net	-	-	1,192	12	-	5	-	
Loans and notes receivable, net	-	-	-	-	-	-	-	
Due from other Department funds	-	-	33,332	-	-	-	-	
Due from other State funds	-	-	57	3,773	-	-	-	
Inventories	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>1</b>	<b>3,196</b>	<b>44,286</b>	<b>70,000</b>	<b>191</b>	<b>13,488</b>	<b>-</b>	
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	-	1,517	13,539	654	-	11,697	-	
Due to other government - federal	-	80	3	1	-	783	-	
Due to other government - local	-	-	1,515	-	-	1,702	-	
Due to other State fiduciary funds	-	552	21	11	-	33	-	
Due to other Department funds	-	-	-	-	-	-	-	
Due to other State funds	-	1,047	55	19	-	3,825	-	
Due to State of Illinois component units	-	-	509	499	-	294	-	
Unearned revenue	1	-	4,741	-	-	1,557	1	
Obligations under securities lending of State Treasurer	-	-	2,534	16,467	-	-	-	
<b>Total liabilities</b>	<b>1</b>	<b>3,196</b>	<b>22,917</b>	<b>17,651</b>	<b>-</b>	<b>19,891</b>	<b>1</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	-	-	474	-	-	1,477	-	
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>474</b>	<b>-</b>	<b>-</b>	<b>1,477</b>	<b>-</b>	
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	-	-	-	-	
Restricted	-	-	-	-	-	-	-	
Committed	-	-	20,895	52,349	191	-	-	
Unassigned	-	-	-	-	-	-	(7,880)	
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>-</b>	<b>20,895</b>	<b>52,349</b>	<b>191</b>	<b>(7,880)</b>	<b>(1)</b>	
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>1</b>	<b>3,196</b>	<b>44,286</b>	<b>70,000</b>	<b>191</b>	<b>13,488</b>	<b>-</b>	

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

	Special Revenue						
	DHS State Projects 0642	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
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	2,850	40	1,510	9,207	613	-	65
Cash and cash equivalents	-	-	-	2,183	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	141	-	-
Investments	-	-	-	-	-	-	-
Due from other government - federal	-	15,962	-	46	-	-	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	7,760	-	-	-
Other receivables, net	14	-	-	-	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-
Due from other State funds	-	-	500	-	-	-	-
Inventories	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,864</b>	<b>\$ 16,002</b>	<b>\$ 2,010</b>	<b>\$ 19,206</b>	<b>\$ 761</b>	<b>\$ 386</b>	<b>\$ 65</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	1,051	13,873	7	8,183	-	376	-
Due to other government - federal	-	2	-	6	-	4	-
Due to other government - local	-	1,948	-	3,240	-	-	-
Due to other State fiduciary funds	-	-	-	45	-	4	-
Due to other Department funds	1,320	-	-	-	-	-	-
Due to other State funds	434	22	-	113	-	2	-
Due to State of Illinois component units	-	22	-	37	-	-	-
Unearned revenue	149	135	2,003	7,582	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	141	-	-
<b>Total liabilities</b>	<b>2,954</b>	<b>16,002</b>	<b>2,010</b>	<b>19,206</b>	<b>141</b>	<b>386</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	-	6,040	-	46	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>6,040</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	620	-	65
Committed	-	-	-	-	-	-	-
Unassigned	(90)	(6,040)	-	(46)	-	-	-
<b>Total fund balances (deficits)</b>	<b>(90)</b>	<b>(6,040)</b>	<b>-</b>	<b>(46)</b>	<b>620</b>	<b>-</b>	<b>65</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>\$ 2,864</b>	<b>\$ 16,002</b>	<b>\$ 2,010</b>	<b>\$ 19,206</b>	<b>\$ 761</b>	<b>\$ 386</b>	<b>\$ 65</b>

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

		Special Revenue									
		Rehabilitation Services		Domestic Violence Shelter and Service		Maternal and Child Health Services Block Grant		Community Mental Health Services Block Grant		Homelessness Prevention Revenue	
		Elementary and Secondary Education Act		Grant V. Dimas Escrow		0872		0876		0889	
		0798		0818		0865		0876		0889	
		0762		0818		0865		0876		0889	
<b>ASSETS</b>											
Unexpended appropriations	\$	-	\$	-	\$	-	\$	-	\$	-	\$
Cash deposited with State Treasurer		7,717		711		5		575		504	
Cash and cash equivalents		-		4		-		-		-	
Securities lending collateral equity with State Treasurer		-		-		-		-		-	
Investments		-		-		-		-		-	
Due from other government - federal		-		-		-		-		-	
Due from other government - local		-		-		-		31		-	
Taxes receivable, net		-		-		-		-		-	
Other receivables, net		1		-		-		-		5	
Loans and notes receivable, net		-		-		-		-		-	
Due from other Department funds		-		2		-		-		-	
Due from other State funds		-		102		1,361		-		-	
Inventories		-		-		-		-		-	
<b>Total assets</b>	\$	7,718	\$	819	\$	1,366	\$	606	\$	509	\$
											1,889
<b>LIABILITIES</b>											
Accounts payable and accrued liabilities		4,956		49		-		84		350	
Due to other government - federal		2		-		-		-		2	
Due to other government - local		1,133		-		-		2		-	
Due to other State fiduciary funds		14		-		-		-		11	
Due to other Department funds		709		-		1,335		-		-	
Due to other State funds		75		19		5		34		4	
Due to State of Illinois component units		829		-		-		-		142	
Unearned revenue		-		-		-		-		-	
Obligations under securities lending of State Treasurer		-		-		-		-		-	
<b>Total liabilities</b>		7,718		68		1,340		120		509	
											8
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable revenue		-		-		-		-		-	
<b>Total Deferred Inflows of Resources</b>		-		-		-		-		-	
<b>FUND BALANCES (DEFICITS)</b>											
Nonspendable		-		-		-		-		-	
Restricted		-		751		26		-		-	1,881
Committed		-		-		-		486		-	
Unassigned		-		-		-		-		-	
<b>Total fund balances (deficits)</b>		-		751		26		486		-	1,881
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	\$	7,718	\$	819	\$	1,366	\$	606	\$	509	\$
											1,889

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2021 (Expressed in Thousands)

	Special Revenue						
	Youth Drug Abuse Prevention 0910	Juvenile Justice Trust 0911	DHS Recoveries Trust 0921	DHS Other Special Trusts 1139	DHS Commissary 1140	DHS Rehabilitation 1144	DHS/DORS Special Revenue 1149
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	634	799	6,978	-	-	-	-
Cash and cash equivalents	-	-	-	361	-	90	270
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-
Investments	-	-	-	293	-	-	-
Due from other government - federal	-	173	-	85	-	-	35
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	-	-	102,689	-	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	288
Due from other State funds	-	12	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 634</b>	<b>\$ 984</b>	<b>\$ 109,667</b>	<b>\$ 739</b>	<b>\$ -</b>	<b>\$ 90</b>	<b>\$ 593</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	330	96	769	-	-	-	-
Due to other government - federal	-	-	48,597	-	-	1	-
Due to other government - local	-	35	1	-	-	-	-
Due to other State fiduciary funds	-	3	3	-	-	-	-
Due to other Department funds	-	-	-	-	-	-	2
Due to other State funds	-	126	167	-	-	-	-
Due to State of Illinois component units	-	77	-	-	-	-	-
Unearned revenue	-	647	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>330</b>	<b>984</b>	<b>49,537</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	-	126	100,785	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>126</b>	<b>100,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	739	-	89	591
Committed	304	-	-	-	-	-	-
Unassigned	-	(126)	(40,655)	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>304</b>	<b>(126)</b>	<b>(40,655)</b>	<b>739</b>	<b>-</b>	<b>89</b>	<b>591</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>\$ 634</b>	<b>\$ 984</b>	<b>\$ 109,667</b>	<b>\$ 739</b>	<b>\$ -</b>	<b>\$ 90</b>	<b>\$ 593</b>

(Continued)

**State of Illinois**  
**Department of Human Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
June 30, 2021 (Expressed in Thousands)

	Special Revenue		Permanent		Total
	Food Stamp and Commodity 1245	Vending Facility Program for the Blind 1385	DHS/DORS Permanent Trust 1150	Burr Bequest 1272	
<b>ASSETS</b>					
Unexpended appropriations	-	-	-	-	-
Cash deposited with State Treasurer	-	-	-	-	-
Cash and cash equivalents	-	165	271	1,009	4,363
Securities lending collateral equity with State Treasurer	-	-	-	-	26,891
Investments	-	-	252	-	545
Due from other government - federal	-	-	-	-	134,079
Due from other government - local	-	-	-	-	365
Taxes receivable, net	-	-	-	-	10
Other receivables, net	-	61	-	-	113,077
Loans and notes receivable, net	-	401	-	-	421
Due from other Department funds	-	-	-	-	33,705
Due from other State funds	-	-	-	-	(430)
Inventories	-	-	-	-	9,801
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 627</b>	<b>\$ 523</b>	<b>\$ 1,009</b>	<b>\$ (430)</b>
					<b>\$ 614,823</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	-	16	-	-	-
Due to other government - federal	-	-	-	-	201,803
Due to other government - local	-	-	-	-	52,711
Due to other State fiduciary funds	-	-	-	-	13,997
Due to other Department funds	-	-	-	-	1,729
Due to other State funds	-	-	138	-	(430)
Due to State of Illinois component units	-	-	-	-	21,570
Unearned revenue	-	-	-	-	6,590
Obligations under securities lending of State Treasurer	-	-	-	-	20,340
<b>Total liabilities</b>	<b>-</b>	<b>16</b>	<b>138</b>	<b>-</b>	<b>(430)</b>
					<b>\$ 349,038</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>\$ 113,828</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	-	159	945	-
Restricted	-	611	226	64	-
Committed	-	-	-	-	181,083
Unassigned	-	-	-	-	(56,622)
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>611</b>	<b>385</b>	<b>1,009</b>	<b>-</b>
<b>Total liabilities, deferred inflows and fund balances (deficits)</b>	<b>-</b>	<b>627</b>	<b>\$ 523</b>	<b>\$ 1,009</b>	<b>\$ (430)</b>
					<b>\$ 614,823</b>

**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, 2021 (Expressed in Thousands)

	Special Revenue					
REVENUES	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
Federal operating grants, net of refunds	\$ 64,563	-	\$ 55,484	\$ 131,641	\$ -	\$ -
Licenses and fees, net of refunds	-	-	-	-	-	2,134
Interest and investment income	-	1	-	-	-	-
Other charges for services, net of refunds	-	-	26,438	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	100	-	-	-
Other revenues, net of refunds	-	-	-	4	473	-
<b>Total revenues</b>	<b>64,563</b>	<b>1</b>	<b>82,022</b>	<b>131,645</b>	<b>473</b>	<b>2,134</b>
<b>EXPENDITURES</b>						
Health and social services	60,998	8	80,340	130,594	447	1,952
Debt service - principal	-	-	201	67	-	-
Debt service - interest	-	-	508	34	-	-
Capital outlays	-	-	4,167	695	-	-
<b>Total expenditures</b>	<b>60,998</b>	<b>8</b>	<b>85,216</b>	<b>131,390</b>	<b>447</b>	<b>1,952</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,565</b>	<b>(7)</b>	<b>(3,194)</b>	<b>255</b>	<b>26</b>	<b>182</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	2,079	8	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>2,079</b>	<b>8</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>3,565</b>	<b>(7)</b>	<b>(1,115)</b>	<b>263</b>	<b>26</b>	<b>182</b>
Fund balances (deficits), July 1, 2020	<b>(5,349)</b>	<b>239</b>	<b>18,947</b>	<b>17,302</b>	<b>975</b>	<b>173</b>
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ (1,784)</b>	<b>\$ 232</b>	<b>\$ 17,832</b>	<b>\$ 17,565</b>	<b>\$ 1,001</b>	<b>\$ 355</b>

(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, 2021 (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	
<b>REVENUES</b>							
Federal operating grants, net of refunds	-	-	-	-	-	5,339	
Licenses and fees, net of refunds	-	2,900	-	-	-	-	
Interest and investment income	-	24	2	-	-	22	
Other charges for services, net of refunds	-	-	260	-	-	-	
Other operating grants, net of refunds	-	-	-	-	-	-	
Other taxes, net of refunds	-	-	-	-	-	-	
Other revenues, net of refunds	5	-	-	-	-	-	
<b>Total revenues</b>	5	2,924	262	-	-	5,361	
<b>EXPENDITURES</b>							
Health and social services	-	2,466	590	-	-	7,305	
Debt service - principal	-	-	-	-	-	-	
Debt service - interest	-	-	-	-	-	-	
Capital outlays	-	-	-	-	-	-	
<b>Total expenditures</b>	-	2,466	590	-	-	7,305	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	5	458	(328)	-	-	(1,944)	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	-	-	-	-	-	
Lapsed appropriations	-	-	-	-	-	-	
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	
Transfers-in	-	-	-	-	-	-	
Capital lease and installment purchase financing	-	-	-	-	-	-	
<b>Net other sources (uses) of financial resources</b>	-	-	-	-	-	-	
<b>Net change in fund balances</b>	5	458	(328)	-	-	(1,944)	
Fund balances (deficits), July 1, 2020	6	7,513	449	36	45	8,758	
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	11	7,971	121	36	45	6,814	

(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, 2021 (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
<b>REVENUES</b>					
Federal operating grants, net of refunds	-	-	-	\$ 517,319	-
Licenses and fees, net of refunds	-	1,597	-	-	-
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	-	-	-	-	3,393
<b>Total revenues</b>	-	1,597	-	517,319	3,393
<b>EXPENDITURES</b>					
Health and social services	-	1,243	-	517,319	3,897
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Capital outlays	-	-	-	-	-
<b>Total expenditures</b>	-	1,243	-	517,319	3,897
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	354	-	-	(504)
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-
Transfers-in	-	-	-	-	3,379
Capital lease and installment purchase financing	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	-	-	-	-	3,379
<b>Net change in fund balances</b>	-	354	-	-	2,875
Fund balances (deficits), July 1, 2020	4	327	-	-	1,975
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	\$ 4	\$ 681	\$ -	\$ -	\$ 4,850

(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, 2021 (Expressed in Thousands)

	Special Revenue						
	Sexual Assault Services 0389	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	
<b>REVENUES</b>							
Federal operating grants, net of refunds				448,793			67,969
Licenses and fees, net of refunds					22		
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	140						
<b>Total revenues</b>	140			448,793			67,969
<b>EXPENDITURES</b>							
Health and social services				490,159			67,963
Debt service - principal				3			3
Debt service - interest							3
Capital outlays							14
<b>Total expenditures</b>				490,162			67,983
<b>Excess (deficiency) of revenues over (under) expenditures</b>	140			(41,369)			(14)
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources							
Lapsed appropriations							
Receipts collected and transmitted to State Treasury							
Transfers-in							
Capital lease and installment purchase financing				24,660			
<b>Net other sources (uses) of financial resources</b>							14
<b>Net change in fund balances</b>				24,660			14
	140			(16,709)			
Fund balances (deficits), July 1, 2020	81		39	86,518			
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	\$ 221	\$ -	\$ 39	\$ 69,809	\$ -	\$ -	\$ -

(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, 2021 (Expressed in Thousands)

		Special Revenue						
REVENUES	Early Intervention Services Revolving 0502	DHS Community Services 0509	Violence Abuser Services 0528	DHS Federal Projects 0592	Special Olympics Illinois 0623	DHS State Projects 0642		
Federal operating grants, net of refunds	\$ 50,374	\$ 6,243	\$ -	\$ 32,261	\$ -	\$ -	\$ 19,717	
Licenses and fees, net of refunds	697	-	-	-	14	-	-	
Interest and investment income	15	117	-	-	-	-	-	
Other charges for services, net of refunds	-	-	-	-	-	-	-	
Other operating grants, net of refunds	-	-	-	137	-	-	-	
Other taxes, net of refunds	-	-	-	-	-	-	-	
Other revenues, net of refunds	(337)	-	31	-	-	-	-	
<b>Total revenues</b>	<b>50,749</b>	<b>6,360</b>	<b>31</b>	<b>32,398</b>	<b>14</b>	<b>14</b>	<b>19,717</b>	
<b>EXPENDITURES</b>								
Health and social services	138,621	35,288	-	37,623	16	-	19,807	
Debt service - principal	1	-	-	-	-	-	-	
Debt service - interest	-	-	-	-	-	-	-	
Capital outlays	1	-	-	-	-	-	-	
<b>Total expenditures</b>	<b>138,623</b>	<b>35,288</b>	<b>-</b>	<b>37,623</b>	<b>16</b>	<b>16</b>	<b>19,807</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(87,874)</b>	<b>(28,928)</b>	<b>31</b>	<b>(5,225)</b>	<b>(2)</b>	<b>(2)</b>	<b>(90)</b>	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>								
Appropriations from State resources	-	-	-	-	-	-	-	
Lapsed appropriations	-	-	-	-	-	-	-	
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-	
Transfers-in	104,692	46,539	-	-	-	-	-	
Capital lease and installment purchase financing	1	-	-	-	-	-	-	
<b>Net other sources (uses) of financial resources</b>	<b>104,693</b>	<b>46,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net change in fund balances</b>	<b>16,819</b>	<b>17,611</b>	<b>31</b>	<b>(5,225)</b>	<b>(2)</b>	<b>(2)</b>	<b>(90)</b>	
Fund balances (deficits), July 1, 2020	4,076	34,738	160	(2,655)	1	-	-	
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ 20,895</b>	<b>\$ 52,349</b>	<b>\$ 191</b>	<b>\$ (7,880)</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ (90)</b>	

(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, 2021 (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
<b>REVENUES</b>						
Federal operating grants, net of refunds						
Licenses and fees, net of refunds	43,745	-	142,680	-	-	-
Interest and investment income	-	-	-	1	-	-
Other charges for services, net of refunds	-	-	-	-	-	-
Other operating grants, net of refunds	101	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	34	-	388	767	-
<b>Total revenues</b>	<b>43,846</b>	<b>34</b>	<b>142,680</b>	<b>389</b>	<b>767</b>	<b>-</b>
<b>EXPENDITURES</b>						
Health and social services	42,352	34	142,650	-	1,690	-
Debt service - principal	-	-	2	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
<b>Total expenditures</b>	<b>42,352</b>	<b>34</b>	<b>142,652</b>	<b>-</b>	<b>1,690</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,494</b>	<b>-</b>	<b>28</b>	<b>389</b>	<b>(923)</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	4,189	-
Lapsed appropriations	-	-	-	-	(2,498)	-
Receipts collected and transmitted to State Treasury	-	-	-	-	(768)	-
Transfers-in	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,494</b>	<b>-</b>	<b>28</b>	<b>389</b>	<b>-</b>	<b>-</b>
Fund balances (deficits), July 1, 2020	(7,534)	-	(74)	231	-	65
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$(6,040)</b>	<b>-\$</b>	<b>\$(46)</b>	<b>\$ 620</b>	<b>-\$</b>	<b>\$ 65</b>

(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, 2021 (Expressed in Thousands)

	Special Revenue					
	Rehabilitation Services Elementary and Secondary Education Act 0798	Grant V. Dimas Escrow 0818	Domestic Violence Shelter and Service 0865	Maternal and Child Health Services Block Grant 0872	Community Mental Health Services Block Grant 0876	
<b>REVENUES</b>						
Federal operating grants, net of refunds	17,306	\$	-	-	-	23,345
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	-	60	-	412	-	5
<b>Total revenues</b>	<b>17,306</b>	<b>367</b>	<b>-</b>	<b>412</b>	<b>-</b>	<b>23,350</b>
<b>EXPENDITURES</b>						
Health and social services	17,306	364	5	577	-	23,350
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlays	-	32	-	-	-	-
<b>Total expenditures</b>	<b>17,306</b>	<b>396</b>	<b>5</b>	<b>577</b>	<b>-</b>	<b>23,350</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(29)</b>	<b>(5)</b>	<b>(165)</b>	<b>-</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	2,503	-
Lapsed appropriations	-	-	-	-	(2,503)	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(29)</b>	<b>(5)</b>	<b>(165)</b>	<b>-</b>	<b>-</b>
Fund balances (deficits), July 1, 2020	-	780	31	651	-	-
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ -</b>	<b>\$ 751</b>	<b>\$ 26</b>	<b>\$ 486</b>	<b>\$ -</b>	<b>\$ -</b>

(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, 2021 (Expressed in Thousands)

	Special Revenue					
	Homelessness Prevention Revenue 0889	Youth Drug Abuse Prevention 0910	Juvenile Justice Trust 0911	DHS Recoveries Trust 0921	DHS Other Special Trusts 1139	DHS Commissary 1140
<b>REVENUES</b>						
Federal operating grants, net of refunds	-	-	987	-	-	-
Licenses and fees, net of refunds	-	-	-	-	275	-
Interest and investment income	-	-	-	-	6	-
Other charges for services, net of refunds	-	-	-	13,290	-	-
Other operating grants, net of refunds	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-
Other revenues, net of refunds	-	275	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>275</b>	<b>987</b>	<b>13,290</b>	<b>469</b>	<b>-</b>
<b>EXPENDITURES</b>						
Health and social services	362	330	1,113	9,314	522	-
Debt service - principal	-	-	-	2	-	-
Debt service - interest	-	-	-	3	-	-
Capital outlays	-	-	-	10	-	-
<b>Total expenditures</b>	<b>362</b>	<b>330</b>	<b>1,113</b>	<b>9,329</b>	<b>522</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(362)</b>	<b>(55)</b>	<b>(126)</b>	<b>3,961</b>	<b>(53)</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Transfers-in	1,059	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	10	-	-
<b>Net other sources (uses) of financial resources</b>	<b>1,059</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>697</b>	<b>(55)</b>	<b>(126)</b>	<b>3,971</b>	<b>(53)</b>	<b>-</b>
Fund balances (deficits), July 1, 2020	1,184	359	-	(44,626)	792	-
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ 1,881</b>	<b>\$ 304</b>	<b>\$ (126)</b>	<b>\$ (40,655)</b>	<b>\$ 739</b>	<b>\$ -</b>

(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, 2021 (Expressed in Thousands)

	Special Revenue				
	DHS Rehabilitation 1144	DHS/DORS Special Revenue 1149	Food Stamp and Commodity 1245	Vending Facility Program for the Blind 1385	
<b>REVENUES</b>					
Federal operating grants, net of refunds	-	-	\$ 5,799,875	-	-
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	186	151	-	-	236
<b>Total revenues</b>	<b>186</b>	<b>151</b>	<b>5,799,875</b>	<b>236</b>	<b>236</b>
<b>EXPENDITURES</b>					
Health and social services	185	56	5,799,875	287	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Capital outlays	-	-	-	-	-
<b>Total expenditures</b>	<b>185</b>	<b>56</b>	<b>5,799,875</b>	<b>287</b>	<b>287</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1</b>	<b>95</b>	<b>-</b>	<b>(51)</b>	<b>(51)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-
Transfers-in	-	-	-	-	-
Capital lease and installment purchase financing	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1</b>	<b>95</b>	<b>-</b>	<b>(51)</b>	<b>(51)</b>
Fund balances (deficits), July 1, 2020	88	496	-	662	662
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ 89</b>	<b>\$ 591</b>	<b>\$ -</b>	<b>\$ -</b>	<b>611</b>

(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, 2021 (Expressed in Thousands)

	Permanent			Total
	DHS/DORS Permanent Trust 1150	Burr Bequest 1272	Eliminations	
<b>REVENUES</b>				
Federal operating grants, net of refunds	-	-	-	7,428,223
Licenses and fees, net of refunds	-	-	-	7,364
Interest and investment income	13	1	-	202
Other charges for services, net of refunds	-	-	-	39,988
Other operating grants, net of refunds	-	-	-	238
Other taxes, net of refunds	-	-	-	100
Other revenues, net of refunds	48	-	-	6,459
<b>Total revenues</b>	<b>61</b>	<b>1</b>	<b>-</b>	<b>7,482,574</b>
<b>EXPENDITURES</b>				
Health and social services	(4)	9	-	7,637,036
Debt service - principal	-	-	-	279
Debt service - interest	-	-	-	548
Capital outlays	-	-	-	4,919
<b>Total expenditures</b>	<b>(4)</b>	<b>9</b>	<b>-</b>	<b>7,642,782</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>65</b>	<b>(8)</b>	<b>-</b>	<b>(160,208)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	-	-	-	6,692
Lapsed appropriations	-	-	-	(5,001)
Receipts collected and transmitted to State Treasury	-	-	-	(768)
Transfers-in	-	-	-	180,329
Capital lease and installment purchase financing	-	-	-	2,112
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,364</b>
<b>Net change in fund balances</b>	<b>65</b>	<b>(8)</b>	<b>-</b>	<b>23,156</b>
Fund balances (deficits), July 1, 2020	320	1,017	-	128,801
<b>FUND BALANCES (DEFICITS), June 30, 2021</b>	<b>\$ 385</b>	<b>\$ 1,009</b>	<b>\$ -</b>	<b>\$ 151,957</b>



**State of Illinois**  
**Department of Human Services**  
**Combining Statement of Fiduciary Net Position -**  
**Custodial Funds**

June 30, 2021 (Expressed in Thousands)

	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,455	\$ 3	\$ 6,458
Investments	890	-	890
Due from other government - federal	33	-	33
Due from other Department funds	-	11	11
<b>Total assets</b>	<b>\$ 7,378</b>	<b>\$ 14</b>	<b>\$ 7,392</b>
<b>LIABILITIES</b>			
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>			
Restricted for Individuals	7,378	14	7,392
<b>Total net position</b>	<b>\$ 7,378</b>	<b>\$ 14</b>	<b>\$ 7,392</b>

**State of Illinois**  
**Department of Human Services**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**

For the Year Ended June 30, 2021 (Expressed in Thousands)

	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
<b>Additions</b>			
Interest and investment income	\$ 109	\$ -	\$ 109
Residents deposits received	5,931	-	5,931
Other additions	-	42	42
<b>Total additions</b>	<u>6,040</u>	<u>42</u>	<u>6,082</u>
<b>Deductions</b>			
Disbursements for and to residents	3,441	-	3,441
Other deductions	-	48	48
<b>Total deductions</b>	<u>3,441</u>	<u>48</u>	<u>3,489</u>
<b>Net Increase (decrease) in fiduciary net position</b>	2,599	(6)	2,593
Net position, July 1, 2020 (restated)	<u>4,779</u>	<u>20</u>	<u>4,799</u>
<b>Net position, June 30, 2021</b>	<u>\$ 7,378</u>	<u>\$ 14</u>	<u>\$ 7,392</u>



RSM US LLP

**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, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 10, 2022. Our report included Emphasis of Matters to correct an error in accounting for other post-employment benefit (OPEB) liabilities and the related deferred outflows and inflows of resources, for the adoption of GASB Statement No. 84, *Fiduciary Activities*, and to clearly indicate the financial statements of the Department are not intended to present the financial position and the respective changes in financial position of the State. 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 financial statements. 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 2021-001 and 2021-009.

**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) as a basis for designing 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.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, as items 2021-001 through 2021-010 that we consider to be material weaknesses.

**State of Illinois, Department of Human Services' Responses to Findings**

The Department's responses to the findings identified in our audit 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 2021-005 through 2021-010 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  
June 10, 2022

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-001      Medical Assistance Program Financial Information**

The Department of Human Services (Department) does not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the Department's financial statements.

During our 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 or the State Children's Health Insurance Program (CHIP) (Funds 0120, 0142, 0211, 0365, 0502, 0509, 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 approximately \$374 million for total reimbursable costs "TRC" for Assistance Listing Numbers 93.767 and 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 (approximately \$17.2 million for the two programs).
- 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. Although, the Department has documented their understanding of how transactions for DHS programs are processed within HFS, the Department was not able to provide auditors with documentation of their monitoring performed over the amounts reported in the Department's financial statements. Additionally, the Department is placing reliance on the internal control over the applicable HFS system without recent independent verification of the system. 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.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-001 Medical Assistance Program Financial Information (Continued)**

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.

This finding was first noted during the Department's financial audit of the year ended June 30, 2017. In subsequent years, the Department has been unable to fully implement its corrective action plan.

Department management indicated they rely on the HFS Bureau of Claims Processing and the controls in the Medicaid Management Information System (MMIS). Although management has outlined a corrective action plan to address the findings, the plan was not executed prior to June 30, 2021.

Lack of sufficient internal controls over transactions and balances recorded in the Department's financial statements increases the likelihood of misstatements. (Finding Code No. 2021-001, 2020-001, 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 enter into an interagency agreement (IA) with HFS that details the responsibilities of each agency with regards to initiating, processing and recording transactions, and how the sufficiency of internal control over Department transactions will be monitored (i.e. annual internal audit, SOC 1 Type 2 audit, or other).
- Once an IA is executed, on a regular basis, the Department should determine if the control system and related monitoring agreed to through the IA is sufficient to prevent and detect significant financial statement errors. The sufficiency of internal control should be monitored each time there is a major change to MAP/CHIP programs or IT systems used for those programs.
- 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 Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will pursue an interagency agreement with HFS and monitor audits and reviews performed on HFS data and internal controls.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-002      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 all service providers.

During the audit period, the Department identified seven service providers (SP) which provided various services. Additionally, the Department determined six of the SPs which provided services were material to their financial reporting process.

The services these six material SPs provided were:

1. Infrastructure Information Technology (IT) and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by the Department of Innovation and Technology (DoIT).
2. Processing of SNAP and cash assistance benefits for the Illinois LINK program– The SP processed approximately \$5.8 billion of transactions during the audit period.
3. Electronic visit verification system for the Home Services program (HSP) personnel – The SP processed approximately \$817 million of transactions during the audit period.
4. Processing of negotiable food instruments (Women, Infants and Children (WIC) program) – SP validated food instruments by performing data entry and system edits that either allowed payment or caused return of the food instrument to the bank of first deposit. The SP processed approximately \$128 million in WIC vouchers during the audit period.
5. Home Based Services (developmental disabilities program) – SP processed timesheets for home based service workers, paid the workers, and filed the related payroll tax returns. The SP processed approximately \$226 million of transactions during the audit period.
6. Provider claims processing for the Early Intervention (EI) program – SP received, reviewed and approved claims from Providers, and provided claims data to the Department for payment. Approximately \$139 million in claims were approved for payment by the SP during the audit period. The SP also billed EI participants for their family participation fee and billed Medicaid for qualified services provided to EI participants.

During our testing, we noted:

- The Department did not obtain a System and Organization Control (SOC) examination, SOC 1 Type 2, report for 1 of the 6 (17%) SPs.
- Through the date the auditors ended fieldwork, on April 15, 2022, management had not performed monitoring procedures over three of the five SOC reports obtained (60%) covering items 2 through 4 listed above. That monitoring should include evaluating required Department user controls and subservice entity controls the SOC reports did not provide assurance on.

Due to the conditions noted above, we were unable to determine if internal controls related to these four SPs were adequate, and auditors were required to perform alternative procedures.

Additionally, management did not retain a register of contract performance requirements with SPs to perform periodic performance monitoring.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-002      Lack of Adequate Controls over the Review of Internal Controls over  
Service Providers (Continued)**

Lack of SP SOC reports or reviews thereof increases the risk of unidentified internal control deficiencies over the affected program which could result in misstatements of the Department's financial statements, noncompliance with the provisions of laws, regulations, and the provisions of contracts and grant agreements, and could impact the Department's clients. Additionally, the lack of a register documenting contract performance requirements that is used to monitor contract performance, increases the risk that noncompliance with contractual performance requirements will occur and not be detected by the Department in a timely manner.

*Alternative Audit Procedures Performed (DoIT):*

The Statewide IES application and data reside on the DoIT environment. In this regard, DoIT is a SP to the Department. The Department did not obtain a SOC 1 Type 2 report for these services performed by DoIT and the Department did not perform alternative procedures to obtain evidence all services were provided in a sufficient manner.

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. The Department is also responsible for the design and maintenance of internal controls relevant to financial reporting. These responsibilities are not limited due to the processes being outsourced to an external party or another State agency.

In order to determine if the environment is secure in which IES resides, we performed general IT controls testing over 28 IES servers hosted by DoIT. As a result of our testing, we noted significant weaknesses in the controls over the environment.

Further, during the Department of Healthcare and Family Services' own internal security review, completed as part of its Plan of Actions and Milestones (2021) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), other significant threats were identified over the DoIT's general IT environment which hosts IES.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Department 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. The Department is required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

Federal CMS' *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states 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.



**State of Illinois  
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**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-002      Lack of Adequate Controls over the Review of Internal Controls over  
Service Providers (Continued)**

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

- a. SP management's description of the service organization's system;
- b. A written assertion by SP management about whether in all material respects and, based on suitable criteria, including:
  - i. SP management's description of the service organization's system fairly presents the service organization's system was designed and implemented throughout the specified period,
  - ii. the controls related to the control objectives stated in SP 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 SP 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.

Additionally, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition section, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

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 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.

This finding was first noted during the Department's financial audit of the year ended June 30, 2017. In subsequent years, the Department has been unable to fully implement its corrective action plan.

Department management indicated that due to timing issues and renewal of contracts with subcontractors assisting the Department in the review over the SOC reports, management was not able to complete monitoring checklists/ reviews over all reports, which included reviews over user controls and subservice controls. Department management further indicated, failure to obtain a SOC report from DoIT was due to oversight.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-002      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 controls review, the Department does not have assurance the SPs' 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 confidential and sensitive program data is adequately secured by the SP. The Department's failure to maintain adequate internal controls over the security of the IES environment increases the risk IES may be exposed to malicious attacks, security breaches, and unauthorized access to recipients' personal information. Lack of a register documenting contract performance requirements increases the risk of noncompliance with performance requirements occurring without timely detection. (Finding Code No. 2021-002, 2020-002, 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 all SPs, at least annually. The independent reviews should include an assessment of the following 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.

An independent review should also encompass the design and effectiveness of controls over the processing of Department transactions, where applicable. An independent review should also be performed to determine the adequacy of general IT controls over IES that are to be performed by DoIT. In addition, we recommend the Department perform an analysis to determine the need to obtain information as to any subservice organization's internal controls and perform reviews as needed.

We also recommend the Department prepare a register of contract performance requirements and use it to monitor contract compliance on a regular basis.

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS has established a process to identify contracted third-party service providers by performing an analysis of the contractual third-party provider services and the contractual expenditures. The IDHS Office of Contract Administration is in the process of creating a department-wide policies and procedures protocol for all contracted third-party service providers that will ensure:

- adequate processes and procedures are established and monitored appropriately of third-party service provider internal controls and processes and subservice organization's internal controls as needed per analysis and review;
- all third-party service providers that are identified as required to complete an annual SOC Report are notified and monitored annually for timely submission of the SOC Reports;

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-002      Lack of Adequate Controls over the Review of Internal Controls over  
Service Providers (Continued)**

- timely reviews and analysis of the third-party service provider submitted SOC Reports are performed annually;
- gaps in timing between the third-party service providers' SOC Reports and IDHS's financial data are adequately addressed by alternate control processes within the IDHS program areas or Divisions who utilize contracted third-party service providers;
- corrective action taken by the third-party service providers and the IDHS program areas or Divisions is documented and maintained.

Furthermore, the IDHS Office of Contract Administration will work with the Department of Innovation and Technology's contracting staff to obtain a SOC audit vendor to obtain a SOC 1 Type 2 audit.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-003 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 and the Department corrected the following disclosure errors related to Footnotes 9 and 10:

1. Most Department employees participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund. The pension expense amount reported in the draft financial statements for Footnote 9 for State Employees' Retirement System (SERS) was understated by \$58.5 million. The Department netted the reversal of the contributions to the SERS Plan with pension expense to arrive at the pension expense amount disclosed in Footnote 9 - Defined Benefit Pension Plans.
2. Certain Department facility employees participate in the Teachers Retirement System of Illinois (TRS), which is a multiple employer cost sharing plan with a special funding situation. GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires that the Department, as an employer, record its portion of the non-employer contributing entity (NECE) pension expense pertaining to Department employees in the government wide financial statements (as a revenue and an expense). This amount for the year ended June 30, 2021 was approximately \$6.8 million and the Department recorded approximately \$3.2 million, the difference was deemed immaterial and not recorded.
3. The Department's employees are members of the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services for their other postemployment benefits (OPEB). The OPEB expense amount reported in the draft financial statements for Footnote 10 was understated by \$12.8 million. The Department netted the reversal of the contributions to the OPEB Plan with OPEB expense to arrive at the OPEB expense amount disclosed in Footnote 10 – Postemployment Benefits.

Additionally, prior year audit entries for the General Revenue Fund (001) and the DHS Special Purposes Trust Fund (0408) were not correctly reversed during FY2021 resulting in a misstatement in federal operating grant revenues. In FY 2020, audit adjustments were recorded to correct the accounting for federal operating grant revenues and receivables for the Child Care Assistance program. In the prior year, revenues earned by Fund 0001 were recorded as revenue in Fund 0408, resulting in a correcting entry and an interfund receivable and payable between the two funds. In FY 2021, the prior year entries were reversed solely to federal operating grant revenue as part of the year-end close process. A portion of the FY 2020 interfund balance was not liquidated and was forgiven. That portion (\$24.7 million) should have been classified as a transfer between the two funds during FY 2021, instead of an adjustment to revenue. These errors were corrected by the Department.

**State of Illinois  
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**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-003      Weaknesses in Preparation of Year-End Department Financial Statements  
(Continued)**

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, paragraph 45 requires the employer to disclose the amount of pension expense recognized by the employer in the reporting period financial statements. GASB Statement 68 paragraphs 94 and 95, require the employer to recognize pension expense and revenue for a nonemployer contributing entity's total proportionate share of collective pension expense that is associated with the employer. GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, paragraph 56 requires the employer to disclose the amount of OPEB expense recognized by the employer in the reporting period.

GASB Codification 1800 *Classification and Terminology* section notes the following guidance:

Interfund loans—amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

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 the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to 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 inaccurate pension and OPEB disclosures were the result of the complexity of the accounting and disclosure requirements. Additionally, for the reversing entry error, the Department indicated the entirety of the activity for FY 2021 was not analyzed prior to reversing the prior year entry.

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 may have on the Statewide financial statements. (Finding Code No. 2021-003)

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-003      Weaknesses in Preparation of Year-End Department Financial Statements  
(Continued)**

**Recommendation**

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

- Complete a report checklist, such as the one available on the Government Finance Officers' Association (GFOA) website, to determine if all amounts and disclosures in the financial statements are complete and accurate, particularly complex areas like pensions and other post-employment benefits required disclosures.
- Carefully review audit entries from the prior period when determining the reversing entry to be recorded.

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review the GFOA checklist regarding benefit plans and identify items that apply to IDHS pension and OPEB reporting.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-004 Weaknesses in Internal Controls over Census Data**

The Department of Human Services (Department) had weaknesses in internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Department's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the following:

- 1) The Department had not performed a complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
- 2) After establishing a base year, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in their census data records and reconcile these changes back to the Department's internal supporting records.

The Department did perform a reconciliation after year end which was provided to auditors in March 2022.

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the State's agencies participating in the SERS. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SERS' and CMS' measurement of pension and OPEB liabilities, respectively.

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the Department restating its beginning net position to decrease it by \$1.1 billion as of July 1, 2020.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-004 Weaknesses in Internal Controls over Census Data (Continued)**

Based upon the significance of these issues alone, we concluded a material weakness exists within the Department's internal controls related to ensuring both SERS and CMS can provide their respective actuaries with complete and accurate census data related to the Department's active employees. Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the Department's census data transactions reported to SERS. Based on this testing we did not note any exceptions.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Department management indicated the Department was waiting for detailed instructions on performing the reconciliation and information from the Plan, prior to beginning the process.

Failure to ensure complete and accurate census data was reported to SERS could result in a material misstatement of the Department's financial statements and reduce the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SERS to the Department's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the pension and OPEB balances, which could result in a material misstatement of these amounts. Finally, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the Department. (Finding Code No. 2021-004, 2020-013)



**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-004 Weaknesses in Internal Controls over Census Data (Continued)**

**Recommendation**

We recommend the Department work with SERS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SERS' actuary and CMS' actuary. After completing a full reconciliation, the Department may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the Department or SERS, with the impact of these errors communicated to both SERS' actuary and CMS' actuary.

Further, we recommend the Department implement controls to ensure census data events are timely and accurately reported to SERS.

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS has performed a full initial reconciliation and IDHS will develop and implement a comprehensive (annual) reconciliation covering all new employees who have joined the agency since the last reconciliation.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-005      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.

IES Application Changes Policies and Procedures

Our review of the April 20, 2020 IES Change Management Plan (Plan) noted the Plan did not:

- Define the requirements for the prioritization or classification of changes,
- 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.

Additionally, we noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes.

Testing of IES Application Changes

Due to the Plan’s limitations noted above, the scope of our audit procedures was limited to the Departments’ testing and approval of IES changes prior to placing them into production. Specifically, we could not perform testing on other change management control procedures, which would otherwise be typically tested, as they were not included in the Plan.

Our testing noted no exceptions during testing of IES application changes.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-005      Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (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 (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 the Departments 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. The Departments 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, NIST, Special Publication 800-53, *Security and Privacy controls for Federal Information Systems and Organizations*, Configuration section, 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.

The Departments' Change Management Policy and Procedure requires 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.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2017. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Departments' management indicated the change management policies and procedures are in the process of being updated, however they are not yet complete due to other competing priorities.

Failure to establish and adhere to robust internal controls over changes to IES diminishes the Departments' ability to secure IES as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration. (Finding Code No. 2021-005, 2020-007, 2019-008, 2018-010, 2017-010)

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-005      Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data (Continued)**

**Recommendation**

We recommend management of both Departments work together to strengthen controls in the Change Management Plan by including:

- Specific requirements for the prioritization or classification of changes,
- Definitions of the numerical grading for determining impact,
- Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation,
- 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, and
- Requirements for backout plans to return the system to a previous functional version in the event a change moved into production causes undesired results, for individual infrastructure changes.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review its Change Management policy and procedure to assure that it meets the auditor recommendations. IDHS will also review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process and work to develop a documented change backout plan.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services to develop policy guidance that strengthens controls.

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Current Findings – Government Auditing Standards**

**Finding 2021-006      Inadequate Access Review Procedures for 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 procedures over the user access review process for 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.

During our audit, we noted the following deficiencies in the user access review procedures performed by the Departments:

- Evidence of timely, affirmative responses from the regional monitors, noting IES access has been corrected and validated, was not tracked or documented.
- There was insufficient evidence retained to conclude the access review included a review of entitlements (user access permissions and other rights) to ensure users’ access was limited to only data they need to perform their job responsibilities.

Additionally, 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 individual’s system access. Because there was no systemic record of the date access was removed nor a definition by management of timeliness thereof, we were unable to determine whether user access was removed timely when a user was transferred or terminated.

Departments’ management indicated they are working to develop a solution to document the provisioning of employees in IES.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621 (f)(1)), *ADP System Security Requirement*, requires the Departments 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 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*, Access Control section, 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)), *Security and Privacy Controls for Federal Information Systems and Organizations – Administrative Safeguards*, 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.”

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-006      Inadequate Access Review Procedures for the Integrated Eligibility System (IES) (Continued)**

The Departments' management indicated that although IES tracks when access is revoked, the system is not programmed to track when the request for revoking access was initiated.

The Departments' failure to maintain adequate internal control over the review of user access rights increases the risk IES may be accessed by individuals who are not authorized to access recipients' personal and health information. (Finding Code No. 2021-006, 2020-008)

**Recommendation**

We recommend management of the Departments enhance internal control over IES access by adopting a formal written policy or procedure requiring and/or including:

- Documented approval from regional monitors that access changes were made as directed. The policy/procedure should address the form in which such approval will be documented, the number of days in which approvals (or corrections) should be communicated by the regional monitors, and the individual or division responsible for maintaining the documentation.
- The review of entitlements granted when conducting the review of access rights.
- A definition of "timely" for disabling an individual's access to the IES system, and a process for tracking whether access was revoked timely based on the definition.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. Late in Fiscal Year 2020, IDHS published on its OneNet additional details regarding the review and termination of IES access by the Regional Systems Monitors. Furthermore, IDHS will document procedures to include return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees with the access requested.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services to enhance internal control policy and procedures over IES.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-007      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 the ability to perform a full disaster recovery, and 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 Departments did not have full disaster recovery functionality and consequently have not conducted disaster recovery testing over IES since 2019.

In addition, although the Department of Human Services’ Disaster Recovery Plan (Plan) addresses the recovery and operation of IES, we noted the Plan did not include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- Did not fully depict the current environments.

This finding was first noted during the Departments’ financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(2)(ii)(F), *ADP System Security Requirements and Review Process*, requires the Departments’ automated data processing (ADP) security plan, policies and procedures 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*, Contingency Planning section, 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.

The Departments’ management indicated the project of implementing a fully functioning disaster recovery plan has been delayed due to staffing shortage issues since the Phase 2 database migration. Departments’ management explained full disaster recovery functionality is not yet available in the current IES environment and it has outgrown the capacity of the legacy disaster recovery hardware. As such, Departments’ management indicated the IES Disaster Recovery Plan cannot be accurately documented and a complete, end-to-end disaster recovery exercise cannot take place until the new disaster recovery environment at an alternate data center is completed and tested.

**State of Illinois  
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**Current Findings – Government Auditing Standards**

**Finding 2021-007      Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) (Continued)**

The lack of an adequate Disaster Recovery Plan and the lack of functionality with which to perform full disaster recovery could result in the Departments' inability to recover IES data in the event of a disaster, which could be detrimental to recipients of benefits, and the Departments', and State's operations. (Finding Code No. 2021-007, 2020-009, 2019-009)

**Recommendation**

We recommend the Departments work with the Department of Innovation and Technology (DoIT) to allocate sufficient resources to enable a full recovery of IES in the event of a disaster. Additionally, in the interim, we recommend the Departments work with DoIT to develop a prioritization plan and emergency operating procedures to allow IES to operate under reduced capacity in the event of a disaster.

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

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- The current environment for all areas.

Finally, we recommend the Departments perform disaster recovery testing on a regular basis as defined in the Plan.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. An Information System Contingency Plan (ISCP) document for IES legacy is 90% completed. The DoIT-IDHS Bureau of Information Security and Audit Compliance will work on implementing an ISCP for the new IES Technical Refresh environment, using Alternate Data Center Architecture diagrams provided by its IT vendor. IDHS has tested continuation of operations plans in place for use in the event of a system outage.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will support the lead, Department of Human Services, as they adopt and implement a disaster recovery plan.



**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-008      Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES**

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) each entered into an interagency agreement (IA) with the Department of Innovation and Technology (DoIT) which did not define each agency’s roles and responsibilities with respect to the Integrated Eligibility System (IES). Additionally, HFS and DHS entered into an IA with each other which addressed IES access and data sharing, but the IA did not define each agency’s roles and responsibilities with respect to the 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 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 after receiving approved instructions from the Departments. Furthermore, DoIT’s staff assists the Departments with user access security.

Additionally, as set by the State of Illinois’ State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State has designated agency responsibility for administering and supervising the administration of the Medicaid Program to HFS. However, Section 1.1 of the State Plan allows 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).

Auditor Testing and Results

*Interagency Agreements*

During our audit, we noted the Departments had neither updated their existing agreement or, alternatively, entered into an additional IA with DoIT documenting roles and responsibilities for each function they perform on the Departments’ behalf.

Additionally, we noted HFS and DHS had neither updated their existing agreement or, alternatively, entered into an additional IA to define the specific roles and responsibilities for each agency.

This finding was first noted during the Departments’ financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-008      Detailed Agreement with the Department of Innovation and Technology (DoIT) not Sufficient and Inadequate Interagency Agreement for the IES (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: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance 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 “Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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’ management indicated the IAs with DoIT and between each other had been delayed due to turnover in staff involved in the process.

The Departments’ failure to execute the appropriate IAs increases the risk that IES functions will not be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2021-008, 2020-010, 2019-010)

**Recommendation**

We recommend management of the Departments either expand its existing agreement or execute a new detailed agreement with DoIT, and expand on the existing agreement between the Departments to ensure IES roles and responsibilities, required to be performed by each party, are formally documented.

**Department of Human Services’ Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department will continue to finalize revisions of the draft intergovernmental agreement to identify the assigned roles of HFS, IDHS, and DoIT, and will complete the necessary intergovernmental agreement process.

**Department of Healthcare and Family Services’ Response**

The Department of Healthcare and Family Services accepts the recommendation. The Departments are currently working together to expand the agreement.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-009            Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements**

The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) establishing adequate internal controls over operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). In addition, HFS failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.

**Interagency Agreements**

Auditors noted HFS did not enter into or have an existing IA with DHS defining each agency's roles and responsibilities as they related to IMPACT during fiscal year 2021.

HFS and DHS management indicated the IA has been drafted, however it has not yet been finalized.

**Detail Sample Testing of IMPACT Providers at HFS**

During fiscal year 2021, 24,209 provider enrollment applications were approved in IMPACT. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 60 approved applications were selected for testing. Our testing noted seven (12%) approved provider applications did not contain documentation to substantiate a review of the provider's required professional license or board certification to confirm the licenses/certifications were valid at the time the application was approved.

HFS management indicated the failure to either document or confirm the applicants had a valid non-expired license with no current limitations on the providers license/certification was due to oversight.

**Detail Sample Testing of IMPACT Providers at DHS**

During testing, the auditors determined DHS did not solely utilize IMPACT as the official book of record or consistently rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services. Specifically, in fiscal year 2021, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. Upon completion of those procedures, DHS personnel then entered the providers' information into IMPACT and approved the provider's file in order to grant approval for payment.

DHS management indicated it uses IMPACT for determining provider eligibility for Medicaid requirements, but each program is unique with various requirements that must be performed outside of IMPACT.

In order to determine if DHS provider applications were approved in accordance with federal and State laws/rules/regulations, prior to DHS entering their information into IMPACT, the auditors selected a sample of 60 approved applications for detailed testing and had no exceptions.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-009            Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)**

Additionally, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During testing, the auditors determined DHS personnel did not regularly follow-up on issues identified in IMPACT during the monthly screenings.

DHS indicated that follow-up reviews of issues have not been consistently performed due to the lack of an executed interagency agreement.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

The Code of Federal Regulations (Code) (42 C.F.R. § 455.412 (b)) requires the applicable Department to confirm that the provider's license has not expired and that there are no current limitations on the provider's license/certification.

The 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. The Code (42 C.F.R. § 455.412 (b)) requires the confirmation that a provider's license has not expired and that there are no current limitations on the provider's license/certification. In addition, the Department's *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires Department staff reviewing licenses to document their review of ensuring the licenses were valid and current in the comments section in IMPACT.

The Code (42 C.F.R. § 455.436 (c)(1)) requires the Departments to consult appropriate databases to confirm identity upon enrollment and reenrollment. In addition, the Code (42 C.F.R. § 455.450 (a)(3)) requires the Departments to conduct database checks on a pre-and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

The Code (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).

Additionally, 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.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-009            Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Execute Interagency Agreements (Continued)**

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires HFS and DHS to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable laws; (2) obligations and costs are in compliance with applicable laws; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and 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.

Inadequate controls over the operation of IMPACT, such as insufficient review, approval and monitoring of provider enrollment information, could result in providers being inaccurately determined eligible, the State expending federal and State funds for which providers eligibility have not been adequately demonstrated or documented, and could result in further expenditures to providers who are ineligible. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statements or financial information. Further, failure to execute interagency agreements increases the risk that IMPACT functions won't be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2021-009, 2020-011, 2019-011, 2018-006)

**Recommendation**

We recommend HFS management work with DHS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, we recommend HFS work with DHS to execute detailed interagency agreements which document specific roles and responsibilities as they relate to IMPACT. Finally, until the interagency agreement is finalized, we recommend DHS follow-up on issues identified pertaining to their providers, from the IMPACT monthly screenings.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Healthcare and Family Services (HFS) to ensure provider applications are properly reviewed, approved, and documented within IMPACT. An interagency agreement was drafted and submitted for final approval. IDHS will review the findings and follow up on deficiencies identified pertaining to our providers from the IMPACT monthly screenings.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services accepts the recommendation. The interagency agreement is being finalized. Provider enrollment staff works with Department of Human Services (DHS) staff monthly, to conduct quality assurance reviews of provider applications approved during previous month. Any identified errors are communicated to DHS and corrected.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-010      Inadequate General Information Technology Controls over IMPACT**

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (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, HFS and the State of Michigan’s Department of Community Health entered into an intergovernmental agreement (IGA) 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).

An IGA was entered into in 2015 which formally established the Illinois-Michigan Program Alliance for Core Technology. Additionally, the parties agreed to pursue expansion of the Michigan MMIS environment to accommodate the processing of Illinois’ Medicaid claims. The IGA required Michigan to extend its current system to utilize cloud architecture that would result in converged infrastructure, maximizing the effectiveness of shared resources, and allowing the shared services to be offered to HFS.

As a result of the Departments not having access to or control over IMPACT and its infrastructure, the auditors requested HFS provide a System and Organization Control (SOC) report which would provide the State and auditors information on the design and effectiveness of internal controls over IMPACT. In response, HFS provided a Security Assessment Report (Report), however, this report did not evaluate the design and implementation of Michigan’s internal controls.

Specifically, the Report did not document:

- Timeframe/period in which the Security Assessment Report covered,
- Independent service auditor’s report,
- Details of the testing conducted, and
- Details of Michigan’s internal controls as they relate to:
  - Control environment,
  - Risk assessment processes,
  - Information and communication,
  - Control activities, and
  - Monitoring activities.

As a result, the auditors were unable to perform adequate procedures to satisfy themselves that certain general IT controls (change management) to IMPACT were operating effectively during the audit period.

**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 review over changes to IMPACT, data, or the infrastructure, the auditors were unable to determine if changes made during the audit period were proper and approved.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-010      Inadequate General Information Technology Controls over IMPACT  
(Continued)**

User Access Control

The auditors noted HFS included all users, including DHS users, in its annual IMPACT Provider Enrollment Access Review. However, due to no executed interagency agreement between HFS and DHS (see Finding 2021-009), there was no interim user access review completed for DHS.

Change Management

Departments' management indicated they believe the Security Assessment Report adequately assessed the internal controls over IMPACT, data, and infrastructure.

User Access Control

HFS management indicated IMPACT automatically locks accounts after 60 days of non-use. While the auditors do not disagree the accounts lock after 60 days of inactivity, during the 60 days individuals will continue to have access. Further, the 60 day automatic lock is only for non-use. If the individual continues to utilize their account, it remains active. DHS management indicated they were relying on the user access review process performed by HFS.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R §95.621(f)(1)), *ADP System Security Requirement*, requires the Departments 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. The Departments 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 internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the 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 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).

Additionally, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition and Configuration Management Sections, sanctions the development, implementation, and monitoring of internal controls over changes, access, and service providers.

**State of Illinois  
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**Schedule of Findings  
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**Current Findings – Government Auditing Standards**

**Finding 2021-010      Inadequate General Information Technology Controls over IMPACT  
(Continued)**

Without having obtained and reviewed a SOC report, the Departments do not have assurance the service provider's internal controls over IMPACT, data and the infrastructure are adequate to protect from unauthorized changes and accidental and intentional destruction or alteration. Additionally, without performing periodic user access reviews of DHS users, unauthorized and/or inappropriate access to the IMPACT system could go undetected by the Departments for an extended period of time. (Finding Code No. 2021-010, 2020-012, 2019-012, 2018-005)

**Recommendation**

We recommend the Departments work with the service provider to obtain assurance the internal controls over IMPACT, data, and the infrastructure, including change control and user access, are adequate. Additionally, until the Departments execute an intergovernmental agreement which addresses all user access testing, we recommend DHS perform periodic user access reviews of all DHS employees with access to IMPACT.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with HFS and the service provider to ensure controls over IMPACT, data, and the infrastructure are adequate.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. A SOC report will be generated and available for the next audit year which will provide HFS with the assurance needed regarding the internal controls over IMPACT.



**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Prior Findings Not Repeated – Government Auditing Standards**

**A. Finding (Revenue not Recorded in the Correct Fund and Noncompliance with Statute)**

During the previous engagement, the Department of Human Services did not have adequate controls over recording grant transactions. As a result, the Department's fiscal year 2019 financial statements were misstated and the draft fiscal year 2020 financial statements contained errors relating to the recording of federal grant transactions, the most significant of which was for the Child Care Assistance Program. Grant revenue that should have been deposited and recorded in the General Revenue Fund (Fund 0001) was instead deposited and recorded in the DHS Special Purposes Trust Fund (Fund 0408). Additionally, the Department did not comply with State law which required the amounts be deposited in Fund 0001.

During the current engagement, we noted no errors in accounting for grant transactions in the proper fund or complying with related State law over deposits of Federal award reimbursements. As a result, this finding is not repeated. (Finding Code No. 2020-003)

**B. Finding (Errors in Computing the Allowance for Doubtful Accounts)**

During the previous engagement, the Department of Human Services did not use accurate information when computing the allowance for doubtful accounts for the DHS Recoveries Trust Fund (Fund 0921) for two large programs: Aid to the Aged, Blind or Disabled (AABD) and Aid to Families with Dependent Children (AFDC), due to an error in classifying receivables between these two programs.

During the current engagement, we noted no errors in the information used by the Department in calculating the estimated allowance for doubtful accounts. As a result, this finding is not repeated. (Finding Code No. 2020-004)

**C. Finding (Inadequate Controls over Eligibility Determinations and Redeterminations)**

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively the "Departments") lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES). We tested 60 cases and noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification.

During the current engagement, we tested 60 cases and did not note any exceptions. As a result, this finding is not repeated. (Finding Code No. 2020-005, 2019-005, 2018-005, 2017-008, 2016-001, 2015-002)

**State of Illinois  
Department of Human Services**

**Schedule of Findings  
For the Year Ended June 30, 2021**

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**Prior Findings Not Repeated – Government Auditing Standards**

**D. Finding (Untimely Processing of Applications for Benefits, Redeterminations of Eligibility for Benefits, and Eligibility Change Documentation)**

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively the “Departments”) did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely. At June 30, 2020, we noted a backlog of 20,511 medical applications, 4,208 SNAP applications, and 2,223 TANF applications for which the determination of eligibility to receive benefits was not completed timely. Additionally, we noted there was 70,466 cases in which information change documentation information had been received, however not reviewed.

During the current engagement, we noted the backlog of change documentation, applications, and redeterminations was significantly less and is no longer considered to have a significant impact on the amounts reported in the Departments’ financial statements. As a result, this finding is not repeated. (Finding Code No. 2020-006, 2019-007, 2018-009, 2017-007)