

State of Illinois
Department of Public Aid
Department-Wide Financial Audit
and Compliance Examination
For the Year Ended June 30, 2004
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



State of Illinois
Department of Public Aid
Department-Wide Financial Audit and Compliance Examination
For the Year Ended June 30, 2004

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Department of Public Aid
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**State of Illinois
Department of Public Aid
Agency Officials
June 30, 2004**

Director	February 26, 2003 to current	Barry S. Maram
Chief of Staff	March 17, 2003 to current	Ian Doughty
Deputy Director	April 12, 2004 to current	Peter F. Vina
Deputy Director	May 17, 2004 to current	Charles A. Jackson
Deputy Director	September 2, 2003 to current	Kevin Connor
State Purchasing Officer	July 12, 2004 to current	Thomas Meirink
General Counsel	June 7, 2004 to current	Nancy Shalowitz
Acting General Counsel	January 2, 2003 to June 4, 2004	Rick Saavedra
Chief, Office of Legislative Affairs	June 1, 2004 to current	Melissa Hansen
Chief, Office of Legislative Affairs	January 15, 2003 to May 31, 2004	Adrienne Jones
Acting Chief Fiscal Officer	November 27, 2002 to August 31, 2003	James Johnson
Chief, Office of Internal Audits	October 1, 2002 to October 1, 2003 (Position moved to CMS)	Brett Finley
Chief, Office of Communications	June 2, 2003 to July 30, 2004 (Position moved to CMS)	Mike Claffey
Administrator, Division of Child Support Enforcement	August 16, 2003 to current	Lonnie Nasatir
Administrator, Division of Finance	December 16, 2003 to October 29, 2004	John Andy Kane
Administrator, Division of Information Services	March 16, 2001 to current	Deneen Omer
Administrator, Division of Medical Programs	May 5, 2003 to current	Anne Marie Murphy
Acting Inspector General	January 1, 2003 to current	Wyona Johnson
Chief, Office of Planning	September 29, 2003 to current	Cristal Thomas
Special Assistant, Medical Policy Development	April 14, 2003 to current	Joseph Hylak-Reinholtz

Department of Public Aid primary offices are located at:

201 South Grand Avenue East
Springfield, IL 62763

2200 Churchill Road
Springfield, IL 62702



Rod R. Blagojevich, Governor
Barry S. Maram, Director

Illinois Department of Public Aid

Prescott E. Bloom Building
201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200
TTY: (800) 526-5812

November 12, 2004

BKD, LLP
225 N. Water Street, Suite 400
P.O. Box 1580
Decatur, Illinois 62525-1580

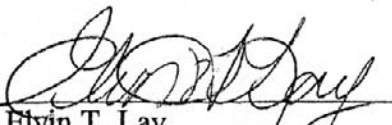
Ladies and Gentlemen:

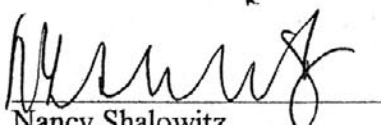
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the period ended June 30, 2004. Based on this evaluation, we assert that during the year ended June 30, 2004, the Agency has materially complied with the assertions below.

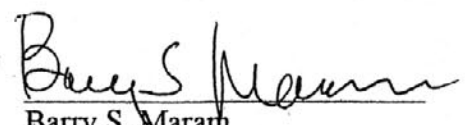
- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.

Very truly yours,

Illinois Department of Public Aid


Elvin T. Lay
Acting Chief Fiscal Officer


Nancy Shalowitz
General Counsel


Barry S. Maram
Executive Director

Compliance Report

State of Illinois
Department of Public Aid
Compliance Report Summary
June 30, 2004

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Audit Findings

Number of	This Audit	Prior Audit
Audit findings	3	1
Repeated audit findings	0	1
Prior recommendations implemented or not repeated	1	2

Details of the audit findings are presented in a separately tabbed report section.

Summary of Findings and Recommendations

Item No.	Page	Description
Findings (Government Auditing Standards)		
04-1	10	Efficiency Initiative Payments
04-2	14	Inaccurate Financial Reporting Due to Coding Error
Findings (State Compliance)		
04-3	16	Lack of Testing of Computer Disaster Recovery Plan
Prior Finding Not Repeated (Government Auditing Standards)		
04-4	18	Child Support Accounts Receivable Balances and Other Reporting Issues

State of Illinois
Department of Public Aid
Compliance Report Summary
June 30, 2004

Exit Conference

The findings and recommendations appearing in this report were discussed with Department officials but a formal exit conference was not considered necessary.

The Department's responses were provided by Director Barry S. Maram in a letter dated December 23, 2004.

**Independent Accountants' Report on State Compliance,
on Internal Control Over Compliance, and on
Supplementary Information for State Compliance Purposes**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois, Department of Public Aid's (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2004. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

In our opinion, the Department complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2004. However, the results of our procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings and recommendations as finding 04-1. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Department's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of Illinois, Department of Public Aid's ability to comply with one or more of the aforementioned requirements. The reportable condition is described in the accompanying schedule of State findings and recommendations as finding 04-1.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider finding 04-1 to be a material weakness. Additionally, the results of our procedures disclosed other deficiencies in internal control, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and recommendations as findings 04-2 and 04-3. As required by the Audit Guide, immaterial findings related to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2004, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 12, 2004. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2004 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the year ended June 30, 2003. In our report dated November 26, 2003, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2003, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

/sig/ **BKD, LLP**

November 12, 2004

**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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Public Aid (Department), as of and for the year ended June 30, 2004, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 12, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 04-1 and 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-2 to be a material weakness. Additionally, we noted a certain deficiency in the design or operation of internal control over financial reporting which does not meet the criteria for reporting herein and which is reported as a State compliance findings in the schedule of State findings and recommendations. We also noted certain immaterial instances of internal control deficiencies, which we have reported to your office in a separate letter dated November 12, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain matters which we have reported to your office in a separate letter dated November 12, 2004.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

/sig/ **BKD, LLP**

November 12, 2004

**State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004**

Current Findings

04-1. Finding—Efficiency Initiative Payments

The Department of Public Aid (Department) made payments for efficiency initiative billings from improper line item appropriations and funds.

Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and reengineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by the Department of Central Management Services (CMS) shall be paid into the Efficiency Initiatives Revolving Fund. **“State agencies shall pay these amounts...from the line item appropriations where the cost savings are anticipated to occur.”** (30 ILCS 105/6p-5)

During FY04, the Department received three billings totaling \$11,890,795 from CMS for savings from efficiency initiatives. The initiatives and amounts billed to the Department were:

<u>Billing Date</u>	<u>Initiative</u>	<u>Billed Amount</u>
9/19/03	Information Technology	\$ 7,456,024
9/19/03	Procurement Efficiency	4,423,600
9/19/03	Vehicle Fleet Management	<u>11,171</u>
	Total	<u>\$ 11,890,795</u>

The Department did not receive guidance or documentation with the billings from CMS detailing from which line item appropriations savings were anticipated to occur. According to Department staff, while they requested via telephone information that detailed where savings were to occur – no information was received. The only guidance received was the amount of payments that should be taken from General Revenue Funds (\$5,248,180) versus Other Funds (\$6,642,615) for the September 2003 billings.

In September 2004, the Department reported that it could not determine whether savings had been realized from the efficiency initiatives since it had not received any savings reconciliations from CMS or the Governor’s Office of Management and Budget.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-1. Finding—Efficiency Initiative Payments (Continued)

Based on our review, we question whether the appropriate appropriations, as required by the State Finance Act, were used to pay for the anticipated savings. For example, Vehicle Fleet Management Initiative billings were not paid from the Department's Operation of Auto Equipment appropriation. Further, the Department stated that it could not determine how savings estimates were determined. Therefore, the Department allocated payments to the appropriations that allowed the greatest flexibility to manage administrative costs throughout the fiscal year. Additionally, we question the source of funds used by the Department to pay some of the efficiency billings.

We found that the Department made payments for these billings **not** from line item appropriations where the cost savings were anticipated to have occurred but from the line items that simply had available funds. Fifty-one percent of the total payments (\$6,100,000 of \$11,890,795) were made from personal service types of appropriations. For example, the Department used:

- \$4,079,624 from the General Revenue Fund for the CMS billing relative to the Information Technology Initiative. The specific appropriation within the Medical Assistance Division under the Illinois Public Aid Code and the Children's Health Insurance Program Act, was "For Other Related Medical Services and for development, implementation, and operation of managed care and children's health programs including operating and administrative costs and related distributive purposes." An additional \$11,171 from the General Revenue Fund for the CMS billing relative to the Vehicle Fleet Management Initiative was also paid from this appropriation.
- \$3,000,000 from personal services line item appropriations from the Child Support Administrative Fund (Fund #0757) for part of the CMS billings relative to the Information Technology Initiative. State law (305 ILCS 5/12-10.2a) details that "Moneys in the Fund may be used...only for the Department of Public Aid's child support administrative expenses, as defined in this Section."
- \$991,100 from personal services line item appropriations (i.e., regular positions, retirement, social security contributions and State paid retirement) from the Office of the Inspector General function within the Department to make payments for the CMS billing for the Procurement Efficiency Initiative.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-1. Finding—Efficiency Initiative Payments (Continued)

The table below provides an illustration of the specific funds and line items the Department used to make payments for the efficiency initiatives. Additionally, the table illustrates which efficiency initiatives were paid from the various line item appropriations.

Fund ¹	Line Item Appropriation	Amount Paid	Total Appropriation For Line Item	Efficiency Initiative ¹
0001, 0757	For Personal Services	\$ 4,619,600	\$ 108,070,500	P, IT
0001, 0757	For Employer Paid Retirement	400,100	4,322,900	P, IT
0001, 0757	For Retirement Contributions	431,700	14,523,500	P, IT
0001, 0757	For Social Security	322,700	8,267,400	P, IT
0757	For Group Insurance	325,900	10,892,900	IT
0001, 0421	For Contractual Services	1,500,000	28,015,700	P, IT
0001	For Equipment	200,000	954,500	P
0001	For Awards and Grants, Lump Sums and Other Purposes	4,090,795	65,654,700	IT, V

¹Legend:

0001-General Revenue Fund; 0421-Public Aid Recoveries Trust Fund
0757-Child Support Administrative Fund
P-Procurement; IT-Information Technology; V-Vehicle Fleet Management

Use of appropriations unrelated to the cost savings initiatives results in noncompliance with the State Finance Act. Furthermore, use of appropriations for purposes other than those authorized by the General Assembly effectively negates a fundamental control established in State government. Finally, use of funds unrelated to the savings initiative may result in an adverse effect on services the Department provides.

According to staff from CMS, efficiency initiatives billings will continue into the next fiscal year. (Finding Code No. 04-1)

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-1. Finding—Efficiency Initiative Payments (Continued)

Recommendation

We recommend that the Department only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, the Department should seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.

Department Response

The Department concurs with this finding. The Department will make savings payments from appropriation lines from which it anticipates obtaining savings. Also, the Department will request from CMS information on the method by which savings estimates were derived.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-2. Finding—Inaccurate Financial Reporting Due to Coding Error

The Department's methodology used for calculating significant accounting estimates for the medical claim liability for County Hospital Services Fund (Fund 329) did not include all data extracts pertinent to calculating an accurate accrual amount for the Fund. This methodology was not sufficient to ensure proper financial reporting.

During our review of the estimated medical claim liability, we identified inconsistencies in the calculation from 2003 to 2004 which resulted in an understatement of the medical claim liability. Proposed adjustments to this calculation included the following increases: medical accrual liability of approximately \$204 million, deferred revenue of approximately \$254 million, account receivable due from other government – local of approximately \$129 million, and federal financial participation account receivable of approximately \$101 million and health and social services expenses of approximately \$204 million. Proposed adjustments also included a decrease in operating grants revenue of approximately \$24 million. Such amounts were significant and resulted in reporting inaccurate financial information to the Comptroller.

SAMS procedure 27.10.10 requires all State agencies to prepare and submit an annual GAAP package for each fund in which they expend from and/or deposit receipts to. SAMS also requires each agency submit a letter representing that, to the best of their knowledge and belief, the GAAP financial reporting information is complete and materially correct. Good internal controls also require agencies to prepare GAAP packages and financial statements that are materially correct.

The Division of Finance uses historical claims payment data in estimating the medical accrual liability for financial reporting purposes. In fiscal year 2004, the methodology to estimate the medical accrual liability for Fund 329 was based upon data extracts that failed to include all historical claims information. As a result, original amounts reported for Fund 329 to the Comptroller's Office and included in the Department's financial statements were materially misstated.

The accuracy of the GAAP packages submitted to the Comptroller's office may have direct and often material effect on the Statewide financial statements. The proposed adjustments had a material impact on the Department's financial statements. The Department adjusted their June 30, 2004 financial statements accordingly. (Finding Code No. 04-2)

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-2. Finding—Inaccurate Financial Reporting Due to Coding Error (Continued)

Recommendation

We recommend that the Department develop procedures and controls to ensure consistent and reasonable calculations of significant accounting estimates.

Department Response

The Department concurs with this finding. The historic medical claims data for the County Hospital Provider Fund, used to project medical claim liability, was understated due to a data collection error. The Division of Finance has prepared written procedures that detail the methodology for projecting the incurred liability to avoid errors in the future. The Department notes that the inaccuracies were identified shortly after submission to the Comptroller's Office and an adjustment was made to the General Accounts balance before any material impact on state finances occurred.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-3. Finding—Lack of Testing of Computer Disaster Recovery Plan

The Department had not conducted disaster recovery testing of its environment within the last fiscal year.

The Department is responsible for “improving health of Illinois families, providing access to quality healthcare, and enforcing child support.” The Department carries out its mission through the use of Information Technology. Computer systems that support the Department’s mission include the Electronic Claims Processing, Recipient Eligibility Verification and Key Information Delivery Systems.

The Department’s Standards and Procedures Manual states, “All Disaster Recovery Plans should be reviewed twice a year and tested on an annual basis.” The Department had not conducted a review of all their recovery plans within the last year. Additionally, testing of the Department’s environment has not been conducted in the last year.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, resources provide the capability to recover critical systems within the required timeframe.

Management stated due to staffing shortages and the Governor’s Office lack of approval for out-of-state travel, testing has not been conducted. The Department’s recovery site is located out of state.

Failure to adequately test the disaster recovery plan leaves the Department exposed to the possibility of major disruptions of services. A comprehensive test of the plan across all platforms utilized will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous testing of plans would also assist management to ensure the plans are appropriately modified, as the Department’s computing environment and disaster recovery needs change. (Finding Code No. 04-3)

Recommendation

The Department should perform and document tests of its disaster recovery plans. These tests should include all critical computing platforms and systems, and should be adequately documented. The Department’s plans should be continuously updated to reflect environmental changes and improvements identified from tests.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Current Findings

04-3. Finding—Lack of Testing of Computer Disaster Recovery Plan (Continued)

Department Response

The Department concurs with the finding. CMS initiated an IT Rationalization Project in FY2004, under which certain IT functions are being consolidated within CMS, including all monies associated with Disaster Recovery development and testing. As part of this initiative, the Department will soon be entering into a Service Level Agreement (SLA) with CMS. The SLA outlines the responsibilities of CMS (supplier) and the impacted Agency (client). The language includes the following:

- The Supplier agrees to take the necessary steps to back up and protect the infrastructure data in case a need to recover it arises.
- The Supplier agrees to complete the recovery requests of the Client per previously established CMS/DPA Disaster Recovery criteria.

These two points, along with other SLA language, demonstrate that CMS is going to be assuming the responsibility of technical Disaster Recovery for all Agencies involved in the IT Rationalization Initiative.

The Department would also like to point out that over the course of 20+ years, the Department has clearly proven it can restore systems to the backup CMS facility. Hundreds of database/system restores (on every platform) have been performed over the past few years, and IDPA is confident OIS can perform adequate technical restores for any production application.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2004

Prior Finding Not Repeated

04-4. Finding—Child Support Accounts Receivable Balances and Other Reporting Issues

During the prior audit, the Department’s Key Information Delivery System (KIDS) did not reflect accurate accounts receivable balances.

During the current audit, we noted significant improvement in controls over child support accounts receivable balances and other reporting issues. (Finding Code No. 03-1)

State of Illinois
Department of Public Aid
Status of Management Audits
June 30, 2004

KidCare

In July 2002, the Office of the Auditor General released its report of the Program and Management Audit of the Illinois Department of Public Aid's KidCare Program. The audit was conducted pursuant to Senate Resolution 152, which directed the Auditor General's Office to conduct an audit of the Department's KidCare program. As a result of the audit, the OAG made seven recommendations to the Department. Below is a summary of the current status.

Eligibility and Case File Documentation
(Recommendations 2, 3, 6 and 7)

The Auditor General's Office recommended the Department of Public Aid should assure only eligible participants are recipients of the KidCare programs, income is properly determined, appropriate documentation is included in case files and re-determinations are done when required.

The State Children's Health Insurance Program (SCHIP) is partially funded with federal funds. Due to the size of the program, the program is tested annually as a major program during the State of Illinois' Single Audit. Testing of this program includes testing the eligibility determination and re-determination processes including appropriate case file documentation.

The results of the FY03 State of Illinois' Single Audit reported the Department of Human Services was not performing eligibility re-determinations for individuals receiving benefits under the SCHIP programs in accordance with timeframes required by the respective State Plans. (Finding 03-17, pages 67-68). The results of the FY03 State of Illinois' Single Audit also reported the Department of Public Aid did not accurately allocate costs to the SCHIP program. (Finding 03-31, pages 97-98). The status of these findings and recommendations will be determined during the FY04 State of Illinois Single Audit.

Contracting
(Recommendations 4 and 5)

The Auditor General's Office recommended the Department of Public Aid should ensure contracts contain measurable deliverables and are monitored for completion. During our examination we did not note similar problems related to the contracts tested. Therefore, the recommendations are not repeated.

Paper Eligibility Cards
(Recommendation 1)

The Auditor General's Office recommended the Department of Public Aid should continue its planned conversion to permanent durable eligibility cards in order to realize significant cost savings to the State as well as improved program effectiveness. The recommendation is only partially implemented.

State of Illinois
Department of Public Aid
Status of Management Audits
June 30, 2004

During our follow-up testing work we noted the Department has begun its planned conversion to permanent durable eligibility cards by creating an internet website, researching what materials will be needed to create new cards and formulating a campaign to educate providers and recipients about the changes resulting from the conversion. We will continue to assess the Department's progress in addressing the above recommendation in our subsequent compliance examination of the Department.

State of Illinois
Department of Public Aid
Status of Management Audits
June 30, 2004

Medicaid Home Health

In July 1999, the Office of the Auditor General released its report of the Program and Management Audit of Medicaid Home Health Care and Regulation of Home Health Agencies. The audit was conducted pursuant to Legislative Audit Commission Resolution Number 114, which directed the Auditor General's Office to conduct an audit of the State's Medicaid expenditures for home health care and the State's regulatory control over home health care agencies.

As a result of the audit, the OAG originally developed ten recommendations for the Department to improve its management controls to assure that home health services billed for Medicaid clients by providers are properly authorized, approved, allowable and provided. The recommendations also cited the need for improved computer edits and management oversight and analysis.

During fiscal year 2004, we followed-up on the two recommendations that had not been fully implemented. In a previous year's audit, it was noted that the Department did not require the hospital discharge date to be included in the case documentation. Therefore, the Department did not have a way of knowing whether the home health care services being provided were following a hospital stay, or whether the home health care continued more than the medically appropriate sixty days after a hospital stay. The Department provided a copy of an informational notice dated October 29, 2003, instructing home health care agencies to provide the patient's hospital discharge date in the invoice submitted to the Department.

It was also noted that the OAG recommended the Department design and implement tests to verify billing practices of the providers and to identify irregularities in the provider billing practices. The Department's Office of Inspector General reviews home health care provider billings and maintains a PC-based exception processing system (CS-SURS) that reviews providers within their own peer group to identify any patterns or trends that may suggest potential fraud or abuse.

State of Illinois
Department of Public Aid
Status of Management Audits
June 30, 2004

Child Support State Disbursement Unit (SDU)

In March 2000, the Office of the Auditor General released a management audit, which examined the causes of the SDU implementation problems, the SDU contract and emergency payments. The management audit resulted in 15 recommendations to the Department and DuPage County who was then the SDU vendor.

In our follow-up work, we noted the Department has made progress in implementing the recommendations. The Department made significant progress in the following areas:

- Reconcile Case Information

The Department has provided an extranet to the circuit clerks to allow them to view all the payments that the SDU has received for cases in their respective counties. The Department also periodically reviews KIDS cases to see that information and account balances reconcile.

- IV-D Timely Disbursement and Cost Recovery

Prior to fiscal year 2004, the Department initiated various tasks to examine the cause of child support payments not being timely disbursed or being inappropriately cost recovered, and to ensure the timely and accurate disbursements of child support associated with Title IV-D cases. The Department continued to perform these tasks, with the help of the new SDU vendor, during fiscal year 2004. As of June 30, 2004, the dollars of funds remaining was approximately \$1.5 million (which included IV-D and non IV-D cases). This is a significant decrease from June 30, 2003, when the dollars of funds remaining was \$6 million.

In fiscal year 2003, the Department contracted with a new SDU vendor and began the transition process. The new SDU became operational on June 30, 2003. Certain of the prior recommendations were not applicable until fiscal year 2004. During fiscal year 2004, the Department implemented the remaining recommendations from the Office of the Auditor General related to the new SDU vendor.

Financial Statement Report

State of Illinois
Department of Public Aid
Financial Statement Report Summary

The audit of the accompanying financial statements of the State of Illinois, Department of Public Aid as of and for the year ended June 30, 2004 was performed by **BKD, LLP**.

Based on their audit, the auditors expressed an unqualified opinion on the Department's basic financial statements.

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Public Aid (Department), as of and for the year ended June 30, 2004, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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, and the aggregate remaining fund information of the State 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, 2004, and its changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented management's discussion and analysis and budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 agency management, and is not intended to be and should not be used by anyone other than these specified parties.

/sig/ **BKD, LLP**

November 12, 2004

Basic Financial Statements

State of Illinois

Department of Public Aid

Statement of Net Assets and Governmental Funds Balance Sheet

June 30, 2004 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 26,517	\$ 176	\$ 26,693	\$ -	\$ 26,693
Cash equity with State Treasurer	538,857	41,172	580,029	-	580,029
Cash and cash equivalents	348	269	617	-	617
Due from other government - federal	879,425	10,393	889,818	-	889,818
Due from other government - local	164,144	-	164,144	-	164,144
Taxes receivable, net	5,822	-	5,822	-	5,822
Other receivables, net	104,348	10,432	114,780	-	114,780
Due from other State funds	-	59	59	-	59
Due from State of Illinois component units	10,830	-	10,830	-	10,830
Prepaid expenses	-	-	-	1,995	1,995
Capital assets being depreciated, net	-	-	-	9,143	9,143
Total assets	\$ 1,730,291	\$ 62,501	\$ 1,792,792	11,138	1,803,930
LIABILITIES					
Accounts payable and accrued liabilities	\$ 917,127	\$ 6,572	\$ 923,699	-	923,699
Due to other government - federal	806	6,758	7,564	-	7,564
Due to other government - local	287,963	3,856	291,819	-	291,819
Due to other State fiduciary funds	108	343	451	-	451
Due to other State funds	5,392	2,350	7,742	-	7,742
Due to State of Illinois component units	22,314	-	22,314	-	22,314
Deferred revenues	503,226	133	503,359	(471,775)	31,584
Notes payable	852,869	-	852,869	-	852,869
Long-term obligations:					
Due within one year	-	-	-	5,108	5,108
Due subsequent to one year	-	-	-	6,249	6,249
Total liabilities	2,589,805	20,012	2,609,817	(460,418)	2,149,399
FUND BALANCES/NET ASSETS (DEFICITS)					
Invested in capital assets	-	-	-	9,143	9,143
Reserved for encumbrances	489	1	490	(490)	-
Unreserved:					
General fund	(860,003)	-	(860,003)	860,003	-
Special revenue funds	-	42,488	42,488	(42,488)	-
Unrestricted net assets	-	-	-	(354,612)	(354,612)
Total fund balances/net assets(deficits)	(859,514)	42,489	(817,025)	\$ 471,556	\$ (345,469)
Total liabilities and fund balances	\$ 1,730,291	\$ 62,501	\$ 1,792,792		

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Public Aid
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2004
(Expressed in Thousands)

Total fund balances-governmental funds	\$	(817,025)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		9,143
<p>Prepaid expenses for governmental activities are current uses of financial resources for funds.</p>		1,995
<p>Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.</p>		471,775
<p>Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:</p>		
Compensated absences		(11,357)
Net assets of governmental activities	\$	(345,469)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Public Aid

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	\$ 8,671,019	\$ 445,051	\$ 9,116,070	\$ 2,545	\$ 9,118,615
Capital outlays	302	567	869	(869)	-
Total expenditures/expenses	<u>8,671,321</u>	<u>445,618</u>	<u>9,116,939</u>	<u>1,676</u>	<u>9,118,615</u>
Program revenues:					
Charges for services:					
Licenses and fees	2,590	499	3,089	52	3,141
Other	41	11,096	11,137	-	11,137
Total charges for services	<u>2,631</u>	<u>11,595</u>	<u>14,226</u>	<u>52</u>	<u>14,278</u>
Operating grant revenue:					
Federal	5,657,083	256,062	5,913,145	21,881	5,935,026
Other	897,052	-	897,052	57,415	954,467
Total operating grant revenue	<u>6,554,135</u>	<u>256,062</u>	<u>6,810,197</u>	<u>79,296</u>	<u>6,889,493</u>
Net program revenues (expenses)	<u>(2,114,555)</u>	<u>(177,961)</u>	<u>(2,292,516)</u>	<u>77,672</u>	<u>(2,214,844)</u>
General revenues:					
Interest and investment income	1,759	-	1,759	-	1,759
Other taxes	318,276	-	318,276	1,276	319,552
Other	568,811	-	568,811	390	569,201
Total general revenues	<u>888,846</u>	<u>-</u>	<u>888,846</u>	<u>1,666</u>	<u>890,512</u>
Other sources (uses):					
Appropriations from State resources	5,720,343	312,453	6,032,796	-	6,032,796
Lapsed appropriations	(20,977)	-	(20,977)	-	(20,977)
Receipts collected and transmitted to State Treasury	(4,538,934)	(170,037)	(4,708,971)	-	(4,708,971)
Capital transfers from other State agencies	-	-	-	248	248
Capital asset losses	-	-	-	(28)	(28)
Amount of SAMS transfers-in	(107,753)	-	(107,753)	-	(107,753)
Amount of SAMS transfers-out	44,700	-	44,700	-	44,700
Transfers-in	64,114	32,300	96,414	(46,100)	50,314
Transfers-out	(107,389)	(18,030)	(125,419)	46,100	(79,319)
Total other sources (uses)	<u>1,054,104</u>	<u>156,686</u>	<u>1,210,790</u>	<u>220</u>	<u>1,211,010</u>
Change in fund balances/net assets	(171,605)	(21,275)	(192,880)	<u>\$ 79,558</u>	(113,322)
Fund balances/net assets(deficits), July 1, 2003	(687,909)	63,764	(624,145)		(232,147)
Fund balances/net assets(deficits), June 30, 2004	<u>\$ (859,514)</u>	<u>\$ 42,489</u>	<u>\$ (817,025)</u>		<u>\$ (345,469)</u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Public Aid
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2004
(Expressed in Thousands)

Net change in fund balances	\$	(192,880)
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. This is the amount by which depreciation in the current period exceeded capital outlays.		(3,616)
Some capital assets were transferred in from other State agencies and, therefore, were received at no cost.		248
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds.		1,995
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		81,014
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the amount the losses from the sale of capital assets exceeded proceeds.		(28)
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 (decrease) in compensated absences obligation		(55)
Change in net assets of governmental activities	\$	(113,322)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Public Aid

Statement of Fiduciary Net Assets

June 30, 2004 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 7,509
Cash and cash equivalents	1,655
Other receivables, net	123,407
Total assets	<u><u>\$ 132,571</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 9,271
Other liabilities	123,300
Total liabilities	<u><u>\$ 132,571</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(1) Organization

The Department of Public Aid (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 Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Child Support Enforcement Trust Fund - SDU.

The Department is organized to provide for the improvement of the health of Illinois' families, for access to quality healthcare, and to enforce child support.

(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

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because 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 of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Public Aid, 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, 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, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Department, which consist only of governmental activities, are reported under the health and social services function in the State of Illinois' Comprehensive Annual Financial Report. For reporting purposes, the Department has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government wide data in a separate column. A brief description of the Department's government-wide fund and financial statements is as follows:

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

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 all taxes, 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 on fund financial statements is on major governmental funds, each displayed in a separate column. Major funds are determined at the Statewide level. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds – see note 2(d)) of the State:

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, promoting access to quality healthcare and child support. 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.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

Additionally, the Department administers the following fiduciary fund type:

Agency – These funds account for transactions related to assets collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

(c) *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include nursing home assessment and federal matching of expenditures. On an accrual basis, revenues from the nursing home assessment are recognized in the fiscal year in which the underlying exchange transaction occurs. 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 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 State 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, 1) principal and interest on formal debt issues, such as bonds and capital leases, are recorded only when payment is due and 2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds.

Significant revenue sources which are susceptible to accrual include the nursing home assessment, federal matching revenues, drug rebates, intergovernmental transfer agreement revenues and child support. Other miscellaneous revenue sources are considered to be measurable and available only when cash is received.

Shared Fund Presentation

The financial statement presentation for the General Revenue, Care Provider Fund for Persons with Developmental Disabilities, and Trauma Center Accounts of the General Fund and the Tobacco Settlement Recovery, a nonmajor government fund, represent only the portion of the shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

Unexpended Appropriations

This “asset” account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This “other financing source” account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State’s realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

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.

Receipts Collected and Transmitted to State Treasury

This “other financing use” account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfers-In

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

Amount of SAMS Transfers-Out

This “other financing source” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provision 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 assets to minimize the “grossing-up” effect on assets and liabilities within the governmental column of the Department. As a result, amounts reported in the funds as interdepartmental interfund receivables and payables have been eliminated. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net assets as receivable from and payable to external parties, rather than as internal balances.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(f) Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

(g) Interfund Transactions and Transactions with State of Illinois Component Units

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

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 and statement of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The Department also has activity with the University of Illinois, a State of Illinois component unit, for medical programs and intergovernmental transfer agreements administered by the University.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(h) Capital Assets

Capital assets, which includes property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Equipment	\$5,000	3-10 years

(i) Compensated Absences

The liability for compensated absences reported in the government-wide financial statements 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 has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax) .

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.

(j) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(k) Net Assets

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

(l) 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 and liabilities 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.

(3) Deposits

(a) Deposits

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury. The Department independently manages cash and cash equivalents maintained outside the State Treasury.

Deposits in the custody of the State Treasurer, or in transit, for governmental funds and fiduciary funds totaled \$580.029 million and \$7.509 million respectively, at June 30, 2004. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois’ Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(b) Investments

Investments are reported at fair value, net of applicable investment management fees. The fair value of investments (amounts expressed in thousands) as of June 30, 2004 were as follows:

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
<i>Governmental Funds</i>				
Categorized:				
Repurchase agreements	\$ -	\$ 279	\$ -	\$ 279
Total categorized investments	<u>\$ -</u>	<u>\$ 279</u>	<u>\$ -</u>	279
Investments not subject to categorization:				
Equity in Public Treasurers' Investment Pool				<u>338</u>
Total governmental fund investments				<u>\$ 617</u>
<i>Fiduciary Funds</i>				
Categorized:				
Repurchase agreements	\$ -	\$ 1,655	\$ -	\$ 1,655
Total fiduciary fund investments	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ -</u>	<u>\$ 1,655</u>

Investments are categorized to give an indication of the level of custodial risk assumed by the State at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments (whether or not held in the State's name) and securities held by any other party (State's agent, counterparty's trust department or agent) but not in the State's name.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets

The Statement of Net Assets and Statement of Fiduciary Net Assets account cash and cash equivalents contains certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation follows:

<i>Governmental Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 617
Cash equivalents	617	(617)
Amounts per Statement of Net Assets	<u><u>\$ 617</u></u>	<u><u>\$ -</u></u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 1,655
Cash equivalents	1,655	(1,655)
Amounts per Statement of Fiduciary Net Assets	<u><u>\$ 1,655</u></u>	<u><u>\$ -</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(4) Accounts Receivable

(a) Taxes Receivable

Taxes receivable (amounts expressed in thousands) at June 30, 2004 are as follows:

	General Fund
Taxes receivable	\$ 8,558
Less: allowance for uncollectible taxes	(2,736)
Taxes receivable, net	\$ 5,822

(b) Other Receivable

Other receivables (amounts expressed in thousands) at June 30, 2004 are as follows:

	General Fund	Nonmajor Governmental Funds	Agency Funds
Other receivables	\$ 125,421	\$ 616,456	\$ 1,932,105
Less: allowance for uncollectible accounts	(21,073)	(606,024)	(1,808,698)
Other receivables, net	\$ 104,348	\$ 10,432	\$ 123,407

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(5) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2004 represent amounts due from other Department and State of Illinois funds.

<u>Fund</u>	<u>Due From Other Department Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 59	Due from nonmajor governmental funds for unexpended grants.
	<u>\$ 59</u>	

The following balances (amounts expressed in thousands) at June 30, 2004 represent amounts due to other Department and State of Illinois funds.

<u>Fund</u>	<u>Due To</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Fiduciary Funds</u>	
General	\$ 5,392	\$ 108	Due to internal service funds of the State for purchases of services and to pension (and other employee benefit) trust funds for postemployment benefits.
Nonmajor governmental funds	2,350	343	Due to internal service funds of the State for purchases of services and to pension (and other employee benefit) trust funds for postemployment benefits.
	<u>\$ 7,742</u>	<u>\$ 451</u>	

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(a) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2004 were as follows:

Fund	Transfers in from		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 13,800	\$ 50,314	Transfers from the Tobacco Settlement Fund for Medicaid programs and from State debt service funds for short-term borrowing payments.
Nonmajor governmental funds	32,300	-	Transfer from General Fund per State appropriation.
	<u>\$ 46,100</u>	<u>\$ 50,314</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2004, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 32,300	\$ 75,089	Transfer to Department nonmajor governmental funds per State appropriation, transfer to State debt service funds, and transfers to assist State budget shortfalls.
Nonmajor governmental funds	13,800	4,230	Transfer to General Fund for Medicaid programs and transfers to assist State budget shortfalls.
	<u>\$ 46,100</u>	<u>\$ 79,319</u>	

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2004 is as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2004</u>
Governmental activities:					
Capital assets being depreciated:					
Equipment	\$ 27,534	\$ 1,110	\$ 689	\$ 34	\$ 27,989
Less accumulated depreciation:					
Equipment	<u>14,995</u>	<u>4,485</u>	<u>661</u>	<u>27</u>	<u>18,846</u>
Total capital assets being depreciated, net	<u>12,539</u>	<u>(3,375)</u>	<u>28</u>	<u>7</u>	<u>9,143</u>
Governmental activity capital assets, net	<u>\$ 12,539</u>	<u>\$ (3,375)</u>	<u>\$ 28</u>	<u>\$ 7</u>	<u>9,143</u>

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2004 was charged as follows:

Health and social services	\$ <u>4,485</u>
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(7) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2004 were as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ <u>11,302</u>	\$ <u>8,460</u>	\$ <u>8,405</u>	\$ <u>11,357</u>	\$ <u>5,108</u>
Total	<u>\$ 11,302</u>	<u>\$ 8,460</u>	<u>\$ 8,405</u>	<u>\$ 11,357</u>	<u>\$ 5,108</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

**STATE OF ILLINOIS
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Notes to Financial Statements

June 30, 2004

(8) Notes Payable

During the previous fiscal year the State incurred cash flow difficulties. As a result the State issued \$1.5 billion in General Obligation Certificates under provisions of Section 1 and 1.1 of the Short-Term Borrowing Act. The General Obligation Bond Certificates were issued on May 22, 2003 and matured January 2004, March 2004, April 2004 and May 2004 with interest rates ranging from 2.25% to 3.00%. Of this borrowing, \$50 million was deposited into the Long-Term Care Provider Fund, an account of the State's General Fund administered by the Department. The Long-Term Care Provider Fund transferred \$7.15 million, as of June 30, 2003, to the State's General Obligation BR&I Fund. The remaining \$42.85 million was transferred in fiscal year 2004. For the fiscal year, the General Obligation BR&I Fund made \$50.314 million in principal and bond premium payments on the note balance on-behalf of the Long-Term Care Provider Fund.

During the current fiscal year the State continued to incur cash flow difficulties. As a result the State issued \$850 million in General Obligation Certificates under provisions of the Medicaid Liability Liquidity Borrowing Act. The General Obligation Bond Certificates were issued on June 17, 2004, and matured on July 23, 2004 and October 22, 2004 with interest rates ranging from 2.00% to 6.00%. The \$850 million from this borrowing was deposited into the Medicaid Provider Relief Fund, an account of the State's General Fund administered by the Department. Subsequent to June 30, 2004, the assets in the Medicaid Provider Relief Fund Account were transferred to the State's General Revenue Fund Account.

Changes in general obligation certificates payable (amounts expressed in thousands) for the year ended June 30, 2004 are as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities				
General obligation certificates payable	\$ 50,000	\$ 850,000	\$ (50,000)	\$ 850,000
Unamortized premiums	<u>—</u>	<u>2,869</u>	<u>—</u>	<u>2,869</u>
Total	<u>\$ 50,000</u>	<u>\$ 852,869</u>	<u>\$ (50,000)</u>	<u>\$ 852,869</u>

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(9) Pension Plan

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), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2004 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2004. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2004, the employer contribution rate was 13.439%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(10) Post-employment Benefits

The State provides health, dental, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older. The total cost of health, dental, and life insurance benefits of all members, including post-employment health, dental, and life insurance benefits, is recognized as an expenditure for the State in the Illinois Comprehensive Annual Financial Report. The total costs incurred for health, dental, and life insurance benefits are not separated by Department for annuitants and their dependents nor active employees and their dependents.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

(11) Fund Deficits

The General Fund had a deficit fund balance of \$859.514 million at June 30, 2004. This deficit results from the liabilities recognized at June 30, 2004 of the Medicaid program which will be paid from future year appropriations. The deficit is expected to be eliminated through both future federal and other revenue sources of the State and the future recognition of unavailable deferred revenue recorded at June 30, 2004.

(12) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e self insured) for these risks except computer equipment insurance purchased by the Department.

The Department's risk management activities for 2004 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, 2004. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

(13) Commitments and Contingencies

(a) Operating leases

The Department leases equipment, buildings and office space under the terms of noncancelable operating lease agreements that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$21.323 million for the year ended June 30, 2004.

The following is a schedule of future minimum lease payments under the operating lease (amounts expressed in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2005	\$ 9,806
2006	9,753
2007	9,564
2008	4,489
2009	2,902
2010-2014	<u>4,512</u>
	\$ <u><u>41,026</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

Effective September 27, 2004, leased buildings and office space agreements were transferred to the Department of Central Management Services. Lease payments subsequent to September 27, 2004, will be paid from Department appropriations transferred to the Department of Central Management Services.

(b) Federal Funding

In December 1994, CMS (Centers for Medicare and Medicaid Services, formerly known as HCFA), informed the State that there was a potential disallowance of federal financial participation of \$112 million related to the fiscal year 1993 Nursing Home Assessment. On June 15, 2000, CMS provided a draft audit report that indicated that the State owed \$89,566,749 and gave the State until July 15, 2000 to respond. The Department responded on July 14, 2000, challenging CMS's draft report. On December 19, 2000, CMS issued its final report, which recommended that the State repay \$89,566,749 within 30 days. The final report further stated that if repayment were not made within 30 days, a formal disallowance would be issued. On January 19, 2001, a formal disallowance was issued.

The Department filed an appeal of the disallowance before the U.S. Department of Health and Human Services Departmental Grant Appeals Board within the allotted time, on February 16, 2001. While the appeal is pending, repayment need not be made, although interest will accrue on any portion that the State may have to repay. Stays to permit settlement discussions and discovery followed.

The issues have been fully briefed by the parties. All that remains of the administrative procedure is the rendering of a decision by the CMS Appeals Board. Any repayment of or offsets to FFP would not likely occur until late in fiscal year 2005 at the earliest.

The Department receives other 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. At June 30, 2004, other than identified above, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(c) Litigation

A class action lawsuit was filed on January 12, 2004 on behalf of disabled Medicaid recipients residing in nursing facilities who have been determined to have a medical need for motorized wheelchairs, but who have not been provided with such equipment. Plaintiffs seek injunctive and declaratory relief enjoining the Department from failing to ensure that persons in nursing homes obtain a motorized wheelchair if medically necessary and declaring the Department's alleged failure to be in violation of federal law, including the Medicaid Act, the Americans with Disabilities Act and the Rehabilitation Act. An adverse decision may result in increased future benefits rather than payment of money for past damages.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Notes to Financial Statements

June 30, 2004

The Department filed a motion to dismiss in May 2004. The court has not yet ruled on the motion. The parties will discuss settlement. No amount has been recorded as a liability in the financial statements for the lawsuit as the loss cannot be reasonably estimated.

The Department is a party to numerous other legal proceedings, many of which normally occur in the course of operations. These proceedings are not, in the opinion of the Department's legal counsel, likely to have a material adverse impact on the Department's financial position. Events could occur, however, that would change the Department's estimate of materiality in the near term. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another State agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

(14) Recharacterization of Funds

The State reclassified activities of several funds during the year from nonmajor governmental funds to accounts in the General Fund as shown below:

	General Fund	Nonmajor Governmental Funds
Fund Balance, July 1, 2003, as previously reported	\$ (659,924)	\$ 35,779
Recharacterizations:		
Special Education Medicaid Matching Fund	(29,488)	29,488
Trauma Center Fund	1,335	(1,335)
Public Assistance Recoveries Trust Fund	(1,959)	1,959
Medical Special Purpose Trust	2,127	(2,127)
Fund Balance, July 1, 2003, as recharacterized	\$ (687,909)	\$ 63,764

In addition, the Medical Research and Development Fund, the Post-Tertiary Clinical Services Fund, and the Independent Academic Center Fund were reclassified from nonmajor governmental funds to accounts in the General Fund. These funds had no July 1, 2003 fund balance.

State of Illinois

Department of Public Aid

Combining Schedule of Accounts

General Fund

June 30, 2004 (Expressed in Thousands)

	General Revenue Account	U of I Hospital Services	County Hospital Services	Care Provider for Persons with DD	Long-Term Care Provider	Special Education Medicaid Matching	Medicaid Provider Relief
ASSETS							
Unexpended appropriations	\$ 24,523	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -
Cash equity with State Treasurer	149	2,893	7,749	103	49,542	37	396,489
Cash and cash equivalents	348	-	-	-	-	-	-
Due from other government - federal	595,737	15,530	129,774	3,104	55,843	20,828	36,859
Due from other government - local	390	-	160,167	-	2,924	295	-
Taxes receivable, net	2,371	-	-	371	3,080	-	-
Other receivables, net	10,051	-	11	-	25	-	19
Due from other Department funds	516,604	-	-	-	-	-	-
Due from State of Illinois component units	-	10,830	-	-	-	-	-
Total assets	\$ 1,150,173	\$ 29,253	\$ 297,701	\$ 3,583	\$ 111,414	\$ 21,160	\$ 433,367
LIABILITIES							
Accounts payable and accrued liabilities	\$ 770,521	\$ -	\$ -	\$ 5	\$ 111,362	\$ -	\$ -
Due to other government - federal	780	-	-	-	2	-	-
Due to other government - local	-	-	263,234	-	-	21,160	-
Due to other State fiduciary funds	55	-	-	-	4	-	-
Due to other Department funds	-	8,931	-	-	-	-	433,367
Due to other State funds	3,879	-	-	1	5	-	-
Due to State of Illinois component units	1,992	20,322	-	-	-	-	-
Deferred revenues	187,507	1,186	263,761	3,363	21,835	18,542	-
Notes payable	-	-	-	-	-	-	852,869
Total liabilities	964,734	30,439	526,995	3,369	133,208	39,702	1,286,236
FUND BALANCES (DEFICITS)							
Reserved for encumbrances	467	-	-	-	-	-	-
Unreserved	184,972	(1,186)	(229,294)	214	(21,794)	(18,542)	(852,869)
Total fund balances (deficits)	185,439	(1,186)	(229,294)	214	(21,794)	(18,542)	(852,869)
Total liabilities and fund balances (deficits)	\$ 1,150,173	\$ 29,253	\$ 297,701	\$ 3,583	\$ 111,414	\$ 21,160	\$ 433,367

State of Illinois

Department of Public Aid

Combining Schedule of Accounts

General Fund

June 30, 2004 (Expressed in Thousands)

	Trauma Center	Public Assistance Recoveries Trust	Medical Research and Development	Post-Tertiary Clinical Services	Juvenile Rehab Services Medicaid Matching
ASSETS					
Unexpended appropriations	\$ 1,989	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	32,802	-	-	-
Cash and cash equivalents	-	-	-	-	-
Due from other government - federal	982	2,579	-	-	622
Due from other government - local	-	368	-	-	-
Taxes receivable, net	-	-	-	-	-
Other receivables, net	-	94,182	-	-	-
Due from other Department funds	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-
Total assets	\$ 2,971	\$ 129,931	\$ -	\$ -	\$ 622
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,988	\$ 773	\$ -	\$ -	\$ -
Due to other government - federal	-	22	-	-	-
Due to other government - local	-	2,947	-	-	622
Due to other State fiduciary funds	-	45	-	-	-
Due to other Department funds	-	124,640	-	-	-
Due to other State funds	-	1,504	-	-	-
Due to State of Illinois component units	-	-	-	-	-
Deferred revenues	-	2,550	-	-	129
Notes payable	-	-	-	-	-
Total liabilities	1,988	132,481	-	-	751
FUND BALANCES (DEFICITS)					
Reserved for encumbrances	-	20	-	-	-
Unreserved	983	(2,570)	-	-	(129)
Total fund balances (deficits)	983	(2,550)	-	-	(129)
Total liabilities and fund balances (deficits)	\$ 2,971	\$ 129,931	\$ -	\$ -	\$ 622

State of Illinois

Department of Public Aid

Combining Schedule of Accounts

General Fund

June 30, 2004 (Expressed in Thousands)

	Family Care	Drug Rebate	Independent Academic Medical Center	Medicaid Buy- in Program Revolving	Medical Special Purpose Trust	Eliminations	Total
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,517
Cash equity with State Treasurer	219	44,922	-	540	3,412	-	538,857
Cash and cash equivalents	-	-	-	-	-	-	348
Due from other government - federal	-	15,584	-	-	1,983	-	879,425
Due from other government - local	-	-	-	-	-	-	164,144
Taxes receivable, net	-	-	-	-	-	-	5,822
Other receivables, net	-	26	-	34	-	-	104,348
Due from other Department funds	-	50,334	-	-	-	(566,938)	-
Due from State of Illinois component units	-	-	-	-	-	-	10,830
Total assets	\$ 219	\$ 110,866	\$ -	\$ 574	\$ 5,395	\$ (566,938)	\$ 1,730,291
LIABILITIES							
Accounts payable and accrued liabilities	\$ -	\$ 31,935	\$ -	\$ -	\$ 543	\$ -	\$ 917,127
Due to other government - federal	-	-	-	-	2	-	806
Due to other government - local	-	-	-	-	-	-	287,963
Due to other State fiduciary funds	-	-	-	-	4	-	108
Due to other Department funds	-	-	-	-	-	(566,938)	-
Due to other State funds	-	-	-	-	3	-	5,392
Due to State of Illinois component units	-	-	-	-	-	-	22,314
Deferred revenues	-	2,799	-	5	1,549	-	503,226
Notes payable	-	-	-	-	-	-	852,869
Total liabilities	-	34,734	-	5	2,101	(566,938)	2,589,805
FUND BALANCES (DEFICITS)							
Reserved for encumbrances	-	-	-	-	2	-	489
Unreserved	219	76,132	-	569	3,292	-	(860,003)
Total fund balances (deficits)	219	76,132	-	569	3,294	-	(859,514)
Total liabilities and fund balances (deficits)	\$ 219	\$ 110,866	\$ -	\$ 574	\$ 5,395	\$ (566,938)	\$ 1,730,291

State of Illinois

Department of Public Aid

**Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	General Revenue Account	U of I Hospital Services	County Hospital Services	Care Provider for Persons with DD	Long-Term Care Provider	Special Education Medicaid Matching
REVENUES						
Operating grants - federal	\$ 3,403,657	\$ 128,209	\$ 909,167	\$ 18,061	\$ 404,042	\$ 120,805
Other operating grants	-	81,916	815,106	-	-	-
Licenses and fees	2,237	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Interest and other investment income	144	-	308	-	935	-
Other taxes	116	-	-	19,836	298,324	-
Other	430,478	-	-	-	117,371	-
Total revenues	3,836,632	210,125	1,724,581	37,897	820,672	120,805
EXPENDITURES						
Health and social services	4,717,112	174,763	1,854,349	30	725,171	109,859
Capital outlays	138	-	-	-	-	-
Total expenditures	4,717,250	174,763	1,854,349	30	725,171	109,859
Excess (deficiency) of revenues over (under) expenditures	(880,618)	35,362	(129,768)	37,867	95,501	10,946
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	5,704,193	-	-	1,150	-	-
Lapsed appropriations	(14,436)	-	-	(1,121)	-	-
Receipts collected and transmitted to State Treasury	(4,493,489)	-	-	(40,211)	-	-
Amount of SAMS transfers-in	(107,753)	-	-	-	-	-
Amount of SAMS transfers-out	44,700	-	-	-	-	-
Transfers-in	493,925	44,700	-	-	50,314	-
Transfers-out	(86,301)	(60,558)	-	-	(55,951)	-
Net other sources (uses) of financial resources	1,540,839	(15,858)	-	(40,182)	(5,637)	-
Net change in fund balances	660,221	19,504	(129,768)	(2,315)	89,864	10,946
Fund balances (deficits), July 1, 2003	(474,782)	(20,690)	(99,526)	2,529	(111,658)	(29,488)
FUND BALANCES (DEFICITS), JUNE 30, 2004	\$ 185,439	\$ (1,186)	\$ (229,294)	\$ 214	\$ (21,794)	\$ (18,542)

State of Illinois

Department of Public Aid

**Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Medicaid Provider Relief	Trauma Center	Public Assistance Recoveries Trust	Medical Research and Development	Post-Tertiary Clinical Services	Juvenile Rehab Services Medicaid Matching
REVENUES						
Operating grants - federal	\$ 433,348	\$ 4,881	\$ 7,168	\$ 6,400	\$ 6,400	\$ 1,746
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-
Other charges for services	-	-	41	-	-	-
Interest and other investment income	19	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Other	-	-	20,962	-	-	-
Total revenues	433,367	4,881	28,171	6,400	6,400	1,746
EXPENDITURES						
Health and social services	850,000	9,579	25,630	12,800	12,800	1,875
Capital outlays	-	-	10	-	-	-
Total expenditures	850,000	9,579	25,640	12,800	12,800	1,875
Excess (deficiency) of revenues over (under) expenditures	(416,633)	(4,698)	2,531	(6,400)	(6,400)	(129)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	15,000	-	-	-	-
Lapsed appropriations	-	(5,420)	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(5,234)	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-
Transfers-in	-	-	-	6,400	6,400	-
Transfers-out	(436,236)	-	(3,122)	-	-	-
Net other sources (uses) of financial resources	(436,236)	4,346	(3,122)	6,400	6,400	-
Net change in fund balances	(852,869)	(352)	(591)	-	-	(129)
Fund balances (deficits), July 1, 2003	-	1,335	(1,959)	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2004	\$ (852,869)	\$ 983	\$ (2,550)	\$ -	\$ -	\$ (129)

State of Illinois

Department of Public Aid

**Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Family Care	Drug Rebate	Independent Academic Medical Center	Medicaid Buy- in Program Revolving	Medical Special Purpose Trust	Eliminations	Total
REVENUES							
Operating grants - federal	\$ 4,128	\$ 202,116	\$ 1,000	\$ -	\$ 5,955	\$ -	\$ 5,657,083
Other operating grants	-	-	-	-	30	-	897,052
Licenses and fees	-	-	-	353	-	-	2,590
Other charges for services	-	-	-	-	-	-	41
Interest and other investment income	14	335	-	4	-	-	1,759
Other taxes	-	-	-	-	-	-	318,276
Other	-	-	-	-	-	-	568,811
Total revenues	4,142	202,451	1,000	357	5,985	-	7,445,612
EXPENDITURES							
Health and social services	6,209	164,644	2,000	1	4,197	-	8,671,019
Capital outlays	-	-	-	-	154	-	302
Total expenditures	6,209	164,644	2,000	1	4,351	-	8,671,321
Excess (deficiency) of revenues over (under) expenditures	(2,067)	37,807	(1,000)	356	1,634	-	(1,225,709)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	5,720,343
Lapsed appropriations	-	-	-	-	-	-	(20,977)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	(4,538,934)
Amount of SAMS transfers-in	-	-	-	-	-	-	(107,753)
Amount of SAMS transfers-out	-	-	-	-	-	-	44,700
Transfers-in	-	-	1,000	-	-	(538,625)	64,114
Transfers-out	-	(3,379)	-	-	(467)	538,625	(107,389)
Net other sources (uses) of financial resources	-	(3,379)	1,000	-	(467)	-	1,054,104
Net change in fund balances	(2,067)	34,428	-	356	1,167	-	(171,605)
Fund balances (deficits), July 1, 2003	2,286	41,704	-	213	2,127	-	(687,909)
FUND BALANCES (DEFICITS), JUNE 30, 2004	\$ 219	\$ 76,132	\$ -	\$ 569	\$ 3,294	\$ -	\$ (859,514)

State of Illinois

Department of Public Aid

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2004 (Expressed in Thousands)

	<u>Special Revenue</u>			
	<u>Provider Inquiry Trust</u>	<u>Tobacco Settlement Recovery</u>	<u>Child Support Administration</u>	<u>Total</u>
ASSETS				
Unexpended appropriations	\$ -	\$ 176	\$ -	\$ 176
Cash equity with State Treasurer	625	-	40,547	41,172
Cash and cash equivalents	-	-	269	269
Due from other government - federal	-	89	10,304	10,393
Other receivables, net	-	-	10,432	10,432
Due from other State funds	-	59	-	59
Total assets	\$ 625	\$ 324	\$ 61,552	\$ 62,501
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 175	\$ 6,397	\$ 6,572
Due to other government - federal	-	-	6,758	6,758
Due to other government - local	-	-	3,856	3,856
Due to other State fiduciary funds	-	-	343	343
Due to other State funds	177	-	2,173	2,350
Deferred revenues	-	-	133	133
Total liabilities	177	175	19,660	20,012
FUND BALANCES				
Reserved for encumbrances	1	-	-	1
Unreserved, unrestricted	447	149	41,892	42,488
Total fund balances	448	149	41,892	42,489
Total liabilities and fund balances	\$ 625	\$ 324	\$ 61,552	\$ 62,501

State of Illinois

Department of Public Aid

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balances -
Non-major Governmental Funds**

For the Year Ended June 30, 2004 (Expressed in Thousands)

	<u>Special Revenue</u>			
	<u>Provider</u>	<u>Tobacco</u>	<u>Child Support</u>	
	<u>Inquiry Trust</u>	<u>Settlement</u>	<u>Administration</u>	<u>Total</u>
		<u>Recovery</u>		
REVENUES				
Operating grants - federal	\$ -	\$ 154,616	\$ 101,446	\$ 256,062
License and fees	497	-	2	499
Other charges for services	-	-	11,096	11,096
Total revenues	<u>497</u>	<u>154,616</u>	<u>112,544</u>	<u>267,657</u>
EXPENDITURES				
Health and social services	621	298,607	145,823	445,051
Capital outlays	-	-	567	567
Total expenditures	<u>621</u>	<u>298,607</u>	<u>146,390</u>	<u>445,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(124)</u>	<u>(143,991)</u>	<u>(33,846)</u>	<u>(177,961)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	312,453	-	312,453
Receipts collected and transmitted to State Treasury	-	(170,037)	-	(170,037)
Transfers-in	-	-	32,300	32,300
Transfers-out	(48)	(13,800)	(4,182)	(18,030)
Net other sources (uses) of financial resources	<u>(48)</u>	<u>128,616</u>	<u>28,118</u>	<u>156,686</u>
Net change in fund balances	<u>(172)</u>	<u>(15,375)</u>	<u>(5,728)</u>	<u>(21,275)</u>
Fund balances, July 1, 2003	<u>620</u>	<u>15,524</u>	<u>47,620</u>	<u>63,764</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 448</u>	<u>\$ 149</u>	<u>\$ 41,892</u>	<u>\$ 42,489</u>

State of Illinois

Department of Public Aid

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2004 (Expressed in Thousands)

	Child Support Enforcement Trust	Child Support Enforcement Trust - SDU	Total
ASSETS			
Cash equity with State Treasurer	\$ 7,509	\$ -	\$ 7,509
Cash and cash equivalents	187	1,468	1,655
Other receivables, net	123,300	107	123,407
Total assets	\$ 130,996	\$ 1,575	\$ 132,571
LIABILITIES			
Accounts payable and accrued liabilities	\$ 7,696	\$ 1,575	\$ 9,271
Other liabilities	123,300	-	123,300
Total liabilities	\$ 130,996	\$ 1,575	\$ 132,571

State of Illinois

Department of Public Aid

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Child Support Enforcement Trust				
ASSETS				
Cash equity with State Treasurer	\$ 8,018	\$ 124,408	\$ 124,917	\$ 7,509
Cash and cash equivalents	-	50,363	50,176	187
Other receivables, net	187,495	123,300	187,495	123,300
Total assets	\$ 195,513	\$ 298,071	\$ 362,588	\$ 130,996
LIABILITIES				
Accounts payable and accrued liabilities	\$ 8,018	\$ 7,696	\$ 8,018	\$ 7,696
Other liabilities	187,495	123,300	187,495	123,300
Total liabilities	\$ 195,513	\$ 130,996	\$ 195,513	\$ 130,996
Child Support Enforcement Trust - SDU				
ASSETS				
Cash and cash equivalents	\$ 5,936	\$ 839,788	\$ 844,256	\$ 1,468
Other receivables, net	-	1,503	1,396	107
Due from other funds	50	-	50	-
Total assets	\$ 5,986	\$ 841,291	\$ 845,702	\$ 1,575
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,986	\$ 850,996	\$ 855,407	\$ 1,575
Total liabilities	\$ 5,986	\$ 850,996	\$ 855,407	\$ 1,575
Total				
ASSETS				
Cash equity with State Treasurer	\$ 8,018	\$ 124,408	\$ 124,917	\$ 7,509
Cash and cash equivalents	5,936	890,151	894,432	1,655
Other receivables, net	187,495	124,803	188,891	123,407
Due from other funds	50	-	50	-
Total assets	\$ 201,499	\$ 1,139,362	\$ 1,208,290	\$ 132,571
LIABILITIES				
Accounts payable and accrued liabilities	\$ 14,004	\$ 858,692	\$ 863,425	\$ 9,271
Other liabilities	187,495	123,300	187,495	123,300
Total liabilities	\$ 201,499	\$ 981,992	\$ 1,050,920	\$ 132,571

**Supplementary Information for
State Compliance Purposes**

State of Illinois
Department of Public Aid
Supplementary Information for State Compliance Purposes
Summary
June 30, 2004

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures, and Lapsed Balances
 - Comparative Schedule of Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Efficiency Initiative Payments
 - Locally Held Funds — Cash Basis Schedule
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Transfers
 - Reconciliation of Cash Receipts and Transfers to Deposits Remitted to the Comptroller
 - Explanation of Significant Variations in Expenditures
 - Explanation of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Balance Sheet Accounts
 - Analysis of Accounts Receivable
 - Indirect Cost Reimbursement (Unaudited)
 - Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited)
- Analysis of Operations
 - Department Functions and Planning Program
 - Average Number of Employees
 - Fiscal Year Statistics (Unaudited)
 - Emergency Purchases
 - Service Efforts and Accomplishments (Unaudited)
 - Ratio of Federal Expenditures to Total Agency Expenditures

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for the portions marked "unaudited," on which they express no opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fiscal Schedules and Analysis

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2004

(Expressed in Thousands)

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Award	Disbursements
U.S. Department of Health and Human Services:			
Medicaid Cluster:			
Medical Assistance Program	93.778	\$ 5,534,645	\$ 5,534,645
State Survey and Certification of Health Care Providers and Suppliers	93.777	7,899	7,899
Total Medicaid Cluster		\$ 5,542,544	\$ 5,542,544
State Children's Insurance Program	93.767	277,823	277,823
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	473	473
Child Support Enforcement:	93.563		
Title IV-D		102,643	102,643
Family Self Sufficiency		(181)	(181)
Total CFDA Number 93.563		102,462	102,462
Grants to States for Access and Visitation Programs	93.597	309	309
Total U.S. Department of Health and Human Services		\$ 5,923,611	\$ 5,923,611
Total Grant Awards and Expenditures of Federal Awards		\$ 5,923,611	\$ 5,923,611

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Illinois, Department of Public Aid (the Department) for the year ended June 30, 2004 is presented on the modified accrual basis of accounting for expenditures. Such basis differs from the cash basis of accounting because it includes costs incurred prior to the end of the year, but not paid, and excludes costs paid during each year but reported in the prior year.

(2) Subrecipients

Of the federal expenditures presented in the accompanying Schedule, the Department provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Medical Assistance Program	93.778	\$ 95,172
Child Support Enforcement, Title IV-D	93.563	29,782
Grants to States for Access and Visitation Programs	93.597	308

(3) Descriptions of Federal Programs

The following summarizes the federal programs for the year ended June 30, 2004.

Medical Assistance Program CFDA #93.778

Federal Agency: Centers for Medicare and Medicaid Services
 Department of Health and Human Services

State Match: 50% (varies among programs)

The objective of the Medical Assistance Program is to provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically eligible groups. Financial assistance is also provided to states

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

(3) Descriptions of Federal Programs (Continued)

to pay for Medicare premiums, co-payments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. In addition, the federal government under this program pays 50 percent of the expenses relating to most state administrative costs for Medicaid. Some expenditures can be matched at an enhanced rate of 75% to 90%. Examples of such expenditures are certain costs related to the Medicaid Management Information System and the employment of skilled professional medical personnel.

State Survey and Certification of Health Care Providers and Suppliers – Health Services Quality Board (HSQB) CFDA #93.777

Federal Agency: Centers for Medicare and Medicaid Services
Department of Health and Human Services

State Match: 25%

The objective of HSQB is to assure the certification, together with other documents, is adequate evidence of the identity of the certified institution and of its conformance to the laws and regulations governing program participation.

State Children's Insurance Program (SCHIP) CFDA #93.767

Federal Agency: Centers for Medicare and Medicaid Services
Department of Health and Human Services

State Match: 35%

The objective of the SCHIP is to provide funds to states to initiate and expand child health assistance to uninsured, low-income children. Assistance is provided by two methods (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; and (2) expand eligibility for children under the State's Medicaid program.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

(3) Descriptions of Federal Programs (Continued)

Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities CFDA #93.768

Federal Agency: Centers for Medicare and Medicaid Services
Department of Health and Human Services

State Match: 0%

The objective of the Medicaid Infrastructure Grants (Ticket-To-Work Infrastructure Grants) is to enhance employment options for people with disabilities.

Child Support Enforcement, Title IV-D CFDA #93.563

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State match: 34%

The objective of the Title IV-D Program is to enforce the support obligation owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support. The State takes over the role of the absentee parent and provides payments to the family based on need and hardship level. The State then attempts to collect the support payments from the parent. Collections in excess of the support provided by the State are passed along to the family. If collections do not equal the support provided by the State, the difference is absorbed by the Department.

Child Support Enforcement, Family Self Sufficiency CFDA #93.563

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State match: 5%

The Family Self Sufficiency Program is a collaborative effort with the Department of Corrections and community-based agencies to promote family self sufficiency. This program provides services to formerly incarcerated fathers to assist them to become more financially and emotionally connected to their children.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

(3) Descriptions of Federal Programs (Continued)

Grants to States for Access and Visitation Programs CFDA #93.597

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State match: 10%

The objective of the Access and Visitation Program is to establish and administer programs to support and facilitate non-custodial parents' access to and visitation of their children.

(4) Other Agency Federal Programs Expenditures

In addition to expenditures made by the Department, other State Agencies, Local Governments and Local Education Agencies also pay for federally reimbursable costs associated with the above federal programs. The Department claims these amounts eligible for federal reimbursement as part of its standard claiming process with the U.S. Department of Health and Human Services. The resulting reimbursement is then deposited into the appropriate State fund.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Public Acts: P.A. 93-0092					
General Revenue Fund - 0001					
Administrative:					
Program/Admin Level	\$ 47,675	38,935	4,572	43,507	4,168
Inspector General	19,935	15,823	703	16,526	3,409
Attorney General	2,374	1,814	68	1,882	492
Medical	53,518	43,998	5,043	49,041	4,477
Deposit to CSETF	32,300	32,300	-	32,300	-
Total Administrative	\$ 155,802	132,870	10,386	143,256	12,546
Distributive:					
Medical:					
Physicians	\$ 525,819	525,368	(85)	525,283	536
Hospital In-Patient	2,265,093	2,255,873	9,218	2,265,091	2
Prescribed Drugs (P.A. 93-0664)	1,068,801	1,067,018	1,218	1,068,236	565
Optometrists	11,318	11,306	2	11,308	10
Podiatrists	2,587	2,572	-	2,572	15
Chiropractors	1,064	1,049	2	1,051	13
Skilled and Intermediate Long-Term Care	731,336	729,211	1,700	730,911	425
Dentists	89,584	89,574	6	89,580	4
Community Health Centers	126,573	126,573	-	126,573	-
Appliances	54,408	54,408	-	54,408	-
Independent Laboratories	25,275	25,275	-	25,275	-
Transportation	73,586	73,577	(3)	73,574	12
Other Related Medical Services	65,132	63,892	1,102	64,994	138
Hospice Care	35,199	35,199	-	35,199	-
Home Health Care	49,358	49,360	(4)	49,356	2
Division Special Care for Children	51,390	51,390	-	51,390	-
Medicare	157,026	157,026	-	157,026	-
Renal Disease	1,214	1,214	-	1,214	-
Hemophila Medical Care	6,782	6,666	94	6,760	22
Sexual Assault Victims Care	1,486	1,415	71	1,486	-
Children Health Initiative	8,507	8,074	346	8,420	87
HMO's	196,353	196,353	-	196,353	-
ALTGELD Clinic Grants	400	400	-	400	-
Total Distributive	\$ 5,548,291	5,532,793	13,667	5,546,460	1,831
Refunds:					
Kid Care Refunds	\$ 100	41	4	45	55
Total Refunds	\$ 100	41	4	45	55
Total General Revenue Fund - 0001	\$ 5,704,193	5,665,704	24,057	5,689,761	14,432

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
University of Illinois Hospital Services Fund - 0136					
Hospital Services	\$ 173,400	173,397	-	173,397	3
County Hospital Services Fund - 0329					
Administrative	\$ 500	-	-	-	500
Provider	1,981,119	1,761,395	58,902	1,820,297	160,822
Refunds	1,000	-	-	-	1,000
Total County Hospital Services Fund - 0329	\$ 1,982,619	1,761,395	58,902	1,820,297	162,322
Provider Inquiry Trust Fund - 0341					
Provider Inquiry Services	\$ 1,500	443	178	621	879
Care Provider for Persons with Developmental Disability Fund - 0344					
Administrative	\$ 150	24	5	29	121
Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disability Fund - 0344	\$ 1,150	24	5	29	1,121
Long-Term Care Provider Fund - 0345					
Administrative	\$ 1,773	874	39	913	860
Provider	821,328	798,879	807	799,686	21,642
Refunds	2,750	93	-	93	2,657
Total Long-Term Care Provider Fund - 0345	\$ 825,851	799,846	846	800,692	25,159
Special Education Medicaid Matching Fund - 0355	\$ 240,000	118,945	7,170	126,115	113,885
Medicaid Provider Relief Fund - 0367 (P.A. 93-0675)	\$ 850,000	850,000	(153)	849,847	153
Trauma Center Fund - 0397	\$ 15,000	7,592	1,988	9,580	5,420

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Public Assistance Recoveries Trust Fund - 0421					
Appropriated Funds:					
Personal Services	\$ 7,108	6,602	300	6,902	206
Retirement - Employer	955	888	40	928	27
Retirement - Employee	284	96	5	101	183
Social Security	544	485	22	507	37
Group Insurance	1,459	1,353	59	1,412	47
Contractual Services	9,953	5,685	1,570	7,255	2,698
Travel	120	71	14	85	35
Commodities	50	17	-	17	33
Printing	25	5	-	5	20
Equipment	500	12	261	273	227
Telecom	120	86	9	95	25
Total Appropriated Public Assistance Recoveries Trust Fund	\$ 21,118	15,300	2,280	17,580	3,538
Nonappropriated Funds:					
Payment to Local Gov. for Serv to Recip.	\$ -	9,364	-	9,364	-
Federal Share Due To General Revenue Fund	-	286,743	3,963	290,706	-
Refund of TPL Recoveries	-	758	-	758	-
Refund of Non-TPL Recoveries	-	396	2	398	-
Non-Administrative Expenses	-	47	-	47	-
Early Intervention - Due DHS	-	277	18	295	-
Total Nonappropriated Public Assistance Recoveries Trust Fund	\$ -	297,585	3,983	301,568	-
Total Public Assistance Recoveries Trust Fund - 0421					
Appropriated Funds	\$ 21,118	15,300	2,280	17,580	3,538
Nonappropriated Funds	\$ -	297,585	3,983	301,568	-
Medical Research & Development Fund - 0486	\$ 12,800	12,800	-	12,800	-
Post-Tertiary Clinical Services Fund - 0487	\$ 12,800	12,800	-	12,800	-
Juvenile Rehabilitation Services Medicaid Matching Fund- 0575	\$ 8,500	1,303	482	1,785	6,715
Family Care Fund - 0720	\$ 40,000	6,209	-	6,209	33,791
Drug Rebate Fund- 0728	\$ 405,000	404,765	235	405,000	-

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Tobacco Settlement Recovery Fund - 0733					
Deposit into Indep AC. Med Ctr Fund	\$ 1,000	1,000	-	1,000	-
Deposit into MR & D Fund	6,400	6,400	-	6,400	-
Deposit into PT & CS Fund	6,400	6,400	-	6,400	-
Prescribed Drugs	298,653	298,478	175	298,653	-
Total Tobacco Settlement Fund - 0733	\$ 312,453	312,278	175	312,453	-
Independent Academic Medical Center Fund - 0735	\$ 2,000	2,000	-	2,000	-
Medicaid Buy-in Program Revolving Fund - 0740	\$ 100	1	-	1	99
Child Support Administration Fund - 0757					
Appropriated Funds:					
Personal Services	\$ 50,157	44,897	2,041	46,938	3,219
Retirement - Employer	2,006	1,453	59	1,512	494
Retirement - Employee	6,741	5,849	274	6,123	618
Social Security	3,837	3,293	149	3,442	395
Group Insurance	10,873	9,313	394	9,707	1,166
Contractual Services	65,220	44,952	6,301	51,253	13,967
Travel	680	430	61	491	189
Commodities	356	241	32	273	83
Printing	163	107	55	162	1
Equipment	2,741	1,252	418	1,670	1,071
Telecommunications	5,685	3,965	466	4,431	1,254
Enhanced Collection Efforts & Paternity Adjudication Demo	12,963	7,640	796	8,436	4,527
CSE Projects	1,500	316	150	466	1,034
SDU Costs	19,180	16,186	1,236	17,422	1,758
Total Appropriated Child Support Administration Fund	\$ 182,102	139,894	12,432	152,326	29,776
Nonappropriated Funds:					
Refund/NA Application Fees	\$ -	2	-	2	-
Total Nonappropriated Child Support Administration Fund	\$ -	2	-	2	-
Total Child Support Administration Fund - 0757					
Appropriated Funds	\$ 182,102	139,894	12,432	152,326	29,776
Nonappropriated Funds	-	2	-	2	-
Medical Special Purpose Trust Fund- 0808	\$ 8,836	3,646	552	4,198	4,638

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004
(expressed in thousands)

		Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Child Support Enforcement Trust Fund - 0957						
Nonappropriated Funds:						
Redirects:						
Illinois AFDC Excess Child Support Clients	\$	-	1,820	(10)	1,810	-
Out-of-State AFDC Clients		-	10,359	(10)	10,349	-
Illinois NonAFDC Clients		-	53,049	(230)	52,819	-
Out-of-State NonAFDC Clients		-	27,884	13	27,897	-
Total Redirects	\$	-	93,112	(237)	92,875	-
Refunds\Payments to Other Agencies:						
Disregard of Child Support Payments	\$	-	3	-	3	-
Refund Responsible Relative - IRS Offsets		-	4,000	(10)	3,990	-
Refund Responsible Relative - IRS pre N/A		-	36	28	64	-
Refund Responsible Relative - State Offsets		-	503	(1)	502	-
Refund Responsible Relative - State pre N/A		-	6	1	7	-
Refund Responsible Relative - Courts or Third Parties		-	1,184	10	1,194	-
Refund Responsible Relative - Courts or Third Parties Out of State		-	48	4	52	-
Refund Responsible Relative - Courts or Third Parties N/A		-	38	2	40	-
Refunds/IRS Offset Nonpublic Aid Clients		-	63	7	70	-
Refunds/State Offset Nonpublic Aid Clients		-	2	-	2	-
Refund - Nonassistance Clients		-	855	52	907	-
Unclaimed Property		-	-	44	44	-
Interest Penalty/State Refund		-	1	-	1	-
Reimburse DCFS Title IV-E		-	1,067	100	1,167	-
Total Refunds\Payments to Other Agencies	\$	-	7,806	237	8,043	-
Total Child Support Enforcement Trust Fund - 0957	\$	-	100,918	-	100,918	-
GRAND TOTAL - ALL FUNDS						
Appropriated Funds	\$	10,799,422	10,288,342	109,149	10,397,491	401,931
Nonappropriated Funds		-	398,505	3,983	402,488	-
GRAND TOTAL - ALL FUNDS	\$		10,686,847	113,132	10,799,979	

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.
The total column includes the adjustments (voids & cash refunds) made through September 30, 2004

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003

(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
General Revenue Fund - 0001		
Appropriations (net after transfers) (Public Act 93-0664)	\$ 5,704,193	5,113,492
Expenditures:		
Administrative		
Personal services	57,304	61,071
Retirement (1)	6,391	8,600
Social Security	4,155	4,384
Contractual services	24,080	21,710
Travel	593	625
Commodities	504	580
Printing	911	938
Equipment	801	303
Telecommunications	2,973	3,065
Operation of auto equipment	72	74
Medical management services	8,068	9,414
Information systems (Med Elig)	1,447	1,960
Med Level - Med Data Warehouse	3,657	3,669
Deposit to CSETF	32,300	38,000
Total administrative:	\$ 143,256	154,393
Distributive:		
Medical	\$ 5,546,460	4,944,667
Total distributive	\$ 5,546,460	4,944,667
Refunds		
Kid Care Refunds	\$ 45	34
Total refunds	45	34
Total expenditures	\$ 5,689,761	5,099,094
Lapsed balances	\$ 14,432	14,398
University of Illinois Hospital Services Fund - 0136		
Appropriations (net after transfers)	\$ 173,400	173,400
Expenditures:		
Hospital Services	173,397	170,289
Lapsed balances	\$ 3	3,111
County Hospital Services Fund - 0329		
Appropriations (net after transfers)	\$ 1,982,619	1,511,119
Expenditures:		
Provider	1,820,297	1,445,094
Lapsed balances	\$ 162,322	66,025

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003

(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
Provider Inquiry Trust Fund - 0341		
Appropriations (net after transfers)	\$ 1,500	1,500
Expenditures:		
Provider Inquiry Services	621	656
Lapsed Balances	\$ 879	844
Care Provider for Persons with Developmental Disability Fund - 0344		
Appropriations (net after transfers)	\$ 1,150	1,137
Expenditures:		
Administrative	29	51
Lapsed balances	\$ 1,121	1,086
Long Term Care Provider Fund - 0345		
Appropriations (net after transfers)	\$ 825,851	722,726
Expenditures:		
Administrative	913	989
Provider	799,686	698,003
Refund	93	60
Total expenditures	\$ 800,692	699,052
Lapsed balances	\$ 25,159	23,674
Special Education Medicaid Matching Fund - 0355		
Appropriations (net after transfers)	\$ 240,000	370,000
Expenditures:		
Administrative	126,115	135,937
Lapsed balances	\$ 113,885	234,063
Medicaid Provider Relief Fund - 0367 (P.A. 93-0675) (2)		
Appropriations (net after transfers)	\$ 850,000	*
Expenditures:		
Medical	849,847	*
Lapsed balances	\$ 153	-
Trauma Center Fund - 0397		
Appropriations (net after transfers)	\$ 15,000	15,000
Expenditures:		
Trauma Centers	9,580	9,363
Lapsed balances	\$ 5,420	5,637

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003

(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
Public Assistance Recoveries Trust Fund - 0421		
Appropriations (net after transfers)	\$ 21,118	22,552
Expenditures:		
Personal services	6,902	7,237
Retirement (1)	1,029	1,028
Social Security	507	537
Group insurance	1,412	1,323
Contractual services	7,255	6,171
Travel	85	93
Commodities	17	40
Printing	5	7
Equipment	273	97
Telecommunications	95	109
Total expenditures - Appropriated	\$ 17,580	16,642
Lapsed balances	\$ 3,538	5,910
Medical Research & Development Fund - 0486		
Appropriations	\$ 12,800	12,800
Expenditures	12,800	12,800
Lapsed Balances	\$ -	-
Post-Tertiary Clinical Services Fund - 0487		
Appropriations	\$ 12,800	12,800
Expenditures	12,800	12,800
Lapsed Balances	\$ -	-
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575		
Appropriations	\$ 8,500	8,500
Expenditures	1,785	2,850
Lapsed Balances	\$ 6,715	5,650
Family Care Fund - 0720		
Appropriations	\$ 40,000	40,000
Expenditures	6,209	1,320
Lapsed Balances	\$ 33,791	38,680
Drug Rebate Fund - 0728		
Appropriations (net after transfers)	\$ 405,000	249,300
Expenditures	405,000	249,033
Lapsed Balances	\$ -	267

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003
(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
Tobacco Settlement Fund - 0733		
Appropriations (net after transfers)	\$ 312,453	236,453
Expenditures		
Fund Transfers	13,800	13,800
Prescribed Drugs	298,653	220,606
Senior Care Help Lines	*	1,989
Total Expenditures	\$ 312,453	236,395
Lapsed Balances	\$ -	58
Independent Academic Medical Centers Fund - 0735		
Appropriations (net after transfers)	\$ 2,000	2,000
Expenditures		
Administrative	2,000	2,000
Lapsed Balances	\$ -	-
Medicaid Buy-in Program Revolving Fund - 0740		
Appropriations	\$ 100	100
Expenditures	1	-
Lapsed Balances	\$ 99	100
Child Support Administration Fund - 0757		
Appropriations (net after transfers)	\$ 182,102	188,099
Expenditures:		
Personal services	46,938	47,104
Retirement (1)	7,635	6,678
Social Security	3,442	3,408
Group insurance	9,707	8,735
Contractual services	51,253	78,624
Travel	491	477
Commodities	273	251
Printing	162	100
Equipment	1,670	27
Telecommunications	4,431	3,855
Enhanced Coll Efforts & Paternity Adjudication Demo	8,436	8,265
SDU Costs	17,422	*
CSE Projects	466	734
Total expenditures	\$ 152,326	158,258
Lapsed balances	\$ 29,776	29,841
Medical Special Purposes Trust Fund - 0808		
Appropriations	\$ 8,836	8,836
Expenditures	4,198	5,010
Lapsed Balances	\$ 4,638	3,826

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003
(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
GRAND TOTAL - ALL FUNDS		
Appropriations (net after transfers)	\$ 10,799,422	8,689,814
Total expenditures	\$ 10,397,491	8,256,644
Lapsed balances	\$ 401,931	433,170

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2004 and August 31, 2003

(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
Non-Appropriated Account Expenditures		
Public Assistance Revolving Trust Fund - 0421		
Non-Administrative	\$ 47	68
Early Intervention	295	*
Non-TPL	398	359
Medical TPL	758	701
Pmt Loc Govt for Serv to Recip	9,364	4,463
Federal Share due to General Revenue	290,706	181,670
Total Non-Appropriated 0421	\$ 301,568	187,261
Child Support Administration Fund - 0757		
Refund/NA Application Fees	\$ 2	7
Total Non-Appropriated 0757	\$ 2	7
Child Support Enforcement Trust Fund - 0957		
Interest Penalty/St. Ref.	\$ 1	3
Redirect IL	1,810	2,128
Pass Through - ADC	3	1
Refund - IRS Offset	3,990	4,237
Refund - State Offset	502	478
Refund - Responsible Relative	1,194	1,610
DCF Re/IV-E	1,167	1,203
Redirect ADC - Out of State	10,349	10,732
Redirect IL - NA	52,819	51,272
Redirect NA - Out of State	27,897	23,399
Refund - IRS Non-Recipient	70	90
Refund - State - Non-Recipient	2	4
Refund - NA Clients	907	869
Refund - Responsible Relative IRS Previous Paid	64	110
Refund - Responsible Relative State Previous Paid	7	3
Refund - Responsible Relative - Court	52	19
Refund - Responsible Relative - NA	40	15
Unclaimed Property	44	*
Total Non-Appropriated - 0957	\$ 100,918	96,173
Total Non-Appropriated	\$ 402,488	283,441

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2004 and August 31, 2003
(expressed in thousands)

	Fiscal Year	
	2004	2003
	P.A. 93-0092	P.A. 92-0538
State Officers' Salaries		
Appropriations (net after transfers)	\$ 224	224
Expenditures:		
Director's salary (3)	121	86
Assistant Director's salary (3)	11	-
Total expenditures	\$ 132	86
Lapsed balances	\$ 92	138

(1) Employer Retirement and Employer Pick-up

(2) New fund in FY 2004.

(3) Note: State Officers' salaries are paid from the appropriation for the Office of the Comptroller

* No appropriations.

State of Illinois
Department of Public Aid
 Schedule of Efficiency Initiative Payments
 For the Fiscal Year Ended June 30, 2004

<u>Procurement Efficiency Initiative</u>	<u>Amount</u>
General Revenue Fund-0001	
Personal Services	\$ 2,491,300
Retirement Pick Up	114,100
Retirement Regular	334,700
Social Security	159,900
Contractual Services	1,000,000
EDP Equipment	200,000
 Public Assistance Recoveries Trust Fund-0421	
Contractual Services	123,600
Sub-Total	<u>4,423,600</u>
<u>Information Technology Initiatives</u>	<u>Amount</u>
General Revenue Fund-0001	
Awards and Grants, Lump Sums and Other Purposes	4,079,624
 Public Assistance Recoveries Trust Fund-0421	
Contractual Services	376,400
 Child Support Administrative Fund-0757	
Personal Services	2,128,300
Retirement Pick Up	286,000
Retirement Regular	97,000
Social Security	162,800
Group Insurance	325,900
Sub-Total	<u>7,456,024</u>
<u>Vehicle Fleet Initiatives</u>	
General Revenue Fund-0001	
Awards and Grants, Lump Sums and Other Purposes	11,171
Sub-Total	<u>11,171</u>
Grand Total	<u>\$ 11,890,795</u>

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Agency and reconciled to information from the Office of the Comptroller.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Locally Held Funds
Cash Basis Schedule
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

Public Aid Emergency Revolving Fund

An imprest fund used to provide emergency aid to recipients. Following is a summary of the fund's cash basis activity.

	<u>2004</u>	<u>2003</u>
Beginning balance	337	247
Plus: Receipts (including cash on hand and in-transit)	630	861
Less: Disbursements	<u>649</u>	<u>771</u>
Ending balance	<u>318</u>	<u>337</u>

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Changes in State Property
For the Year Ended June 30, 2004
(expressed in thousands)

		Balance at June 30, 2003	Additions	Deletions	Transfers	Balance at June 30, 2004
Equipment	\$	49,983	2,912	(3,736)	0	49,159

Notes:

This summary schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller. The Department's State property is composed of equipment items only.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with accounting principles generally accepted in the United States of America.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
General Revenue Fund - 0001		
Federal government	\$ 3,773,128	3,059,201
Federal reimbursable portion due from the Public Assistance Recoveries Trust Fund	289,472	184,285
Investment Income	148	68
Local Illinois governmental units	428,336	354,904
Recipient collections	2,229	1,651
Fund Transfers	1	4
Miscellaneous	-	1
Total cash receipts per Department	\$ 4,493,314	3,600,114
Add:		
Transfers from other funds	107,753	71,828
Total cash receipts and transfers per Department	\$ 4,601,067	3,671,942
University of Illinois Hospital Services Fund - 0136		
Federal government	\$ 125,085	109,108
Other Illinois State agencies	75,138	77,576
Total cash receipts per Department	\$ 200,223	186,684
Add:		
Transfers from other funds	44,700	44,700
Total cash receipts and transfers per Department	\$ 244,923	231,384
Community MH/DH Services Provider Participation Fee Fund - 0325		
Federal government	\$ 7	-
Total cash receipts per Department	\$ 7	-

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
County Hospital Services Fund - 0329		
Federal government	\$ 936,117	729,398
Provider participation fees	827,027	736,704
Total cash receipts per Department	\$ 1,763,144	1,466,102
Provider Inquiry Trust Fund - 0341		
User Fees/Private Organizations or Individuals	\$ 559	643
Total cash receipts per Department	\$ 559	643
Care Provider For Persons with Developmental Disability - 0344		
Federal government	\$ 20,213	17,323
Provider taxes	19,882	19,184
Total cash receipts per Department	\$ 40,095	36,507
Long-Term Care Provider Fund - 0345		
Federal government	\$ 444,890	351,083
Provider taxes	54,173	59,021
Local governmental units	114,540	-
Total cash receipts per Department	\$ 613,603	410,104
Add:		
Transfers from other funds	3,013	15,517
Total cash receipts and transfers per Department	\$ 616,616	425,621
Special Education Medicaid Matching Fund - 0355		
Federal government	\$ 139,861	130,114
Total cash receipts per Department	\$ 139,861	130,114

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
Medicaid Provider Relief Fund - 0367 (1)		
Federal government	\$ 396,489	-
Total cash receipts per Department	\$ 396,489	-
Trauma Center Fund - 0397		
Federal government	\$ 5,234	4,512
Total cash receipts per Department	\$ 5,234	4,512
Protest Fund - 0401		
Health Care Provider Tax	\$ 34	20
Total cash receipts per Department	\$ 34	20
Public Assistance Recoveries Trust Fund - 0421		
Federal government	\$ 9,364	4,463
Recipient collections	30,231	25,446
Private organizations or individuals	541,393	344,745
Total cash receipts per Department	\$ 580,988	374,654
Medical Research & Development Fund - 0486		
Federal government	\$ 6,400	6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	\$ 12,800	12,800
Post-Tertiary Clinical Services Fund - 0487		
Federal government	\$ 6,400	6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	\$ 12,800	12,800

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
Early Intervention Services Revolving Fund - 0502		
Federal government	\$ 19,911	17,759
Total cash receipts per Department	\$ 19,911	17,759
Juvenile Rehab Services Medicaid Matching Fund - 0575		
Federal government	\$ 1,375	3,824
Total cash receipts per Department	\$ 1,375	3,824
Community Mental Health Medicaid Trust - 0718		
Federal government	\$ 76,969	64,260
Total cash receipts per Department	\$ 76,969	64,260
Family Care Fund - 0720		
Federal government	\$ 5,993	1,737
Total cash receipts per Department	\$ 5,993	1,737
Drug Rebate Fund - 0728		
Federal government	\$ 214,584	120,271
Add:		
Transfers from other funds	226,165	142,958
Total cash receipts and transfers per Department	\$ 440,749	263,229
Tobacco Settlement Recovery Fund - 0733		
Federal government	\$ 169,992	98,721
Total cash receipts per Department	\$ 169,992	98,721
Independent Academic Medical Center Fund - 0735		
Federal government	\$ 1,000	1,000
Fund transfers	1,000	1,000
Total cash receipts per Department	\$ 2,000	2,000

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
Medicaid Buy-In Program Revolving Fund - 0740		
Recipient collections	\$ 328	196
Total cash receipts per Department	\$ 328	196
Child Support Administration Fund - 0757		
Federal government	\$ 94,426	89,949
Fund Transfers	32,300	38,000
Licenses, fees or registrations	2	78
Repayment to state pursuant to law	45	35
Total cash receipts per Department	\$ 126,773	128,062
Add:		
Transfers from other funds	30,000	20,000
Total cash receipts and transfers per Department	\$ 156,773	148,062
Medical Special Purpose Trust Fund - 0808		
Federal government	\$ 6,876	5,517
Contracts & Grants - Private Organizations	30	-
Fund Transfer from Other Agency	-	6
Total cash receipts per Department	\$ 6,906	5,523
Child Support Enforcement Trust Fund - 0957		
Child Support Collections	\$ 130,016	-
Repayment to state pursuant to law	2,625	-
Off-Set Claims	-	47,522
Responsible Relative Payments-Non ADC	-	47,254
Other states	-	32,448
Total cash receipts per Department	\$ 132,641	127,224

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2004 and 2003
(expressed in thousands)

	2004	2003
GRAND TOTAL - ALL FUNDS PRESENTED		
Total cash receipts and transfers per Department	\$ 9,428,254	7,099,634

(1) Fund established FY 2004.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	#0001	#0136	#0325	#0329	#0341
	General Revenue	University of Illinois	Community	County Hospital	Provider Inquiry
	Fund	Hospital Services	MH/DD	Services Fund	Trust Fund
	Fund	Fund	Participation	Fee Fund	Trust Fund
Health Standards Quality Bureau	\$ 7,603	-	-	-	-
Medical Administration	258,892	-	-	-	-
Medical Assistance	3,489,743	-	-	-	-
Title IV-D	16,890	-	-	-	-
HHS Reimbursement/Medical Administration	5	-	-	-	-
HHS Reimbursement/Medical Assistance	289,460	-	-	-	-
Refugee/Entrant Program	-	-	-	-	-
HHS Reimbursement/Titles IV-D	7	-	-	-	-
Cook County/Local Government Units	428,336	-	-	-	-
Children's Health Insurance (KidCare)	2,229	-	-	-	-
Miscellaneous DPA	-	-	-	-	-
PAERF/Investment Income-DPA	3	-	-	-	-
Federal Money for Other State Agency	-	-	-	-	-
SDU Investment Income - DPA	145	-	-	-	-
Title XXI Share Premium	1	-	-	-	-
Health and Human Services	-	125,085	7	304,470	-
University of Illinois	-	75,138	-	-	-
Health Care Participation Quarterly Fee	-	-	-	292,161	-
Health Care Participation Supplemental Fee	-	-	-	534,866	-
HHS/Hospital Participation	-	-	-	631,647	-
User Fees/Administrative Reimbursements	-	-	-	-	559
Health Care Provider Taxes	-	-	-	-	-
Transfers From General Revenue Fund	-	-	-	-	-
Transfers From Tobacco Settlement Recovery Fund	-	-	-	-	-
Restitutions	-	-	-	-	-
Medical - Circuit Clerk	-	-	-	-	-
Federal Tax Offsets	-	-	-	-	-
State Tax Offsets	-	-	-	-	-
Clerk of Circuit Court	-	-	-	-	-
Unemployment Benefits	-	-	-	-	-
Earnfare Employment/Training	-	-	-	-	-
Interstate Collections	-	-	-	-	-
Financial Institutions Data Match	-	-	-	-	-
Department of Revenue	-	-	-	-	-
Private Collection Agencies	-	-	-	-	-
State Disbursement Unit	-	-	-	-	-
Responsible Relative (NCP)	-	-	-	-	-
Child Support Enforcement Recoveries	-	-	-	-	-
Credit Bureau Reporting	-	-	-	-	-
Involuntary Withholding collections	-	-	-	-	-
Title IV-D Administration	-	-	-	-	-
Application Fees	-	-	-	-	-
County Nursing Facilities	-	-	-	-	-
Blood Testing Fees	-	-	-	-	-
Private Organizations or Individuals	-	-	-	-	-
DHHS/FFP-Medicaid Rehab Option	-	-	-	-	-
Medical	-	-	-	-	-
Third Party Liability	-	-	-	-	-
Medicaid	-	-	-	-	-
Contracts and Grants - Private Org.	-	-	-	-	-
Transfers From Other Funds (mandatory):					
General Revenue Fund - 0001	-	44,700	-	-	-
University of Illinois Hospital Services Fund - 0136	80,632	-	-	-	-
Protest Fund - 0401	-	-	-	-	-
Public Assistance Recoveries Fund - 0421	27,121	-	-	-	-
Child Support Enforcement Trust Fund - 0957	-	-	-	-	-
Total cash receipts and transfers per Department	\$ 4,601,067	244,923	7	1,763,144	559
Less - In transit at June 30, 2004	(147)	-	-	-	(4)
Less - Transfers Not Reported on Comptroller SB04 Report	(107,753)	(44,700)	-	-	-
Plus - In transit at June 30, 2003	84	1,482	-	-	5
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	237	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 4,493,488	201,705	7	1,763,144	560

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	#0344	#0345	#0355	#0367	#0397
	Care Provider for Persons with Developmental Disability Fund	Long-Term Care Provider Fund	Special Education Medicaid Matching Fund	Medicaid Provider Relief Fund	Trauma Center Fund
Health Standards Quality Bureau	\$ -	-	-	-	-
Medical Administration	-	-	-	-	-
Medical Assistance	-	-	-	-	-
Title IV-D	-	-	-	-	-
HHS Reimbursement/Medical Administration	-	-	-	-	-
HHS Reimbursement/Medical Assistance	-	-	-	-	-
Refugee/Entrant Program	-	-	-	-	-
HHS Reimbursement/Titles IV-D	-	-	-	-	-
Cook County/Local Government Units	-	-	-	-	-
Children's Health Insurance (KidCare)	-	-	-	-	-
Miscellaneous DPA	-	-	-	-	-
PAERF/Investment Income-DPA	-	-	-	-	-
Federal Money for Other State Agency	-	-	-	-	-
SDU Investment Income - DPA	-	-	-	-	-
Title XXI Share Premium	-	-	-	-	-
Health and Human Services	20,213	444,890	139,861	396,489	5,234
University of Illinois	-	-	-	-	-
Health Care Participation Quarterly Fee	-	-	-	-	-
Health Care Participation Supplemental Fee	-	-	-	-	-
HHS/Hospital Participation	-	-	-	-	-
User Fees/Administrative Reimbursements	-	-	-	-	-
Health Care Provider Taxes	19,882	54,173	-	-	-
Transfers From General Revenue Fund	-	-	-	-	-
Transfers From Tobacco Settlement Recovery Fund	-	-	-	-	-
Restitutions	-	-	-	-	-
Medical - Circuit Clerk	-	-	-	-	-
Federal Tax Offsets	-	-	-	-	-
State Tax Offsets	-	-	-	-	-
Clerk of Circuit Court	-	-	-	-	-
Unemployment Benefits	-	-	-	-	-
Earnfare Employment/Training	-	-	-	-	-
Interstate Collections	-	-	-	-	-
Fed. Institutions Data Match	-	-	-	-	-
Department of Revenue	-	-	-	-	-
Private Collection Agencies	-	-	-	-	-
State Disbursement Unit	-	-	-	-	-
Responsible Relative (NCP)	-	-	-	-	-
Child Support Enforcement Recoveries	-	-	-	-	-
Credit Bureau Reporting	-	-	-	-	-
Involuntary Withholding collections	-	-	-	-	-
Title IV-D Administration	-	-	-	-	-
Application Fees	-	-	-	-	-
County Nursing Facilities	-	114,540	-	-	-
Blood Testing Fees	-	-	-	-	-
Private Organizations or Individuals	-	-	-	-	-
DHHS/FFP-Medicaid Rehab Option	-	-	-	-	-
Medical	-	-	-	-	-
Third Party Liability	-	-	-	-	-
Medicaid	-	-	-	-	-
Contracts and Grants - Private Org.	-	-	-	-	-
Transfers From Other Funds (mandatory):	-	-	-	-	-
General Revenue Fund - 0001	-	-	-	-	-
University of Illinois Hospital Services Fund - 0136	-	-	-	-	-
Protest Fund - 0401	-	3,013	-	-	-
Public Assistance Recoveries Fund - 0421	-	-	-	-	-
Child Support Enforcement Trust Fund - 0957	-	-	-	-	-
Total cash receipts and transfers per Department	\$ 40,095	616,616	139,861	396,489	5,234
Less - In transit at June 30, 2004	(103)	(1,329)	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	(3,013)	-	-	-
Plus - In transit at June 30, 2003	219	1,232	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	17	-	-
Total cash receipts and transfers per Comptroller	\$ 40,211	613,506	139,878	396,489	5,234

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	#0401 Protest Fund	#0421 Public Assistance Recoveries Trust Fund	#0486 Medicaid Research & Development Fund	#0487 Post - Tertiary Clinical Services Fund	#0502 Early Intervention Services Revolving Fund
Health Standards Quality Bureau	\$ -	-	-	-	-
Medical Administration	-	-	-	-	-
Medical Assistance	-	-	-	-	-
Title IV-D	-	-	-	-	-
HHS Reimbursement/Medical Administration	-	-	-	-	-
HHS Reimbursement/Medical Assistance	-	-	-	-	-
Refugee/Entrant Program	-	-	-	-	-
HHS Reimbursement/Titles IV-D	-	-	-	-	-
Cook County/Local Government Units	-	-	-	-	-
Children's Health Insurance (KidCare)	-	-	-	-	-
Miscellaneous DPA	-	-	-	-	-
PAERF/Investment Income-DPA	-	-	-	-	-
Federal Money for Other State Agency	-	-	-	-	-
SDU Investment Income - DPA	-	-	-	-	-
Title XXI Share Premium	-	-	-	-	-
Health and Human Services	-	9,364	6,400	6,400	19,911
University of Illinois	-	-	-	-	-
Health Care Participation Quarterly Fee	-	-	-	-	-
Health Care Participation Supplemental Fee	-	-	-	-	-
HHS/Hospital Participation	-	-	-	-	-
User Fees/Administrative Reimbursements	-	42	-	-	-
Health Care Provider Taxes	34	-	-	-	-
Transfers From General Revenue Fund	-	-	-	-	-
Transfers From Tobacco Settlement Recovery Fund	-	-	6,400	6,400	-
Restitutions	-	-	-	-	-
Medical - Circuit Clerk	-	193	-	-	-
Federal Tax Offsets	-	-	-	-	-
State Tax Offsets	-	-	-	-	-
Clerk of Circuit Court	-	-	-	-	-
Unemployment Benefits	-	-	-	-	-
Earnfare Employment/Training	-	-	-	-	-
Interstate Collections	-	-	-	-	-
Fed. Institutions Data Match	-	-	-	-	-
Department of Revenue	-	-	-	-	-
Private Collection Agencies	-	-	-	-	-
State Disbursement Unit	-	-	-	-	-
Responsible Relative (NCP)	-	-	-	-	-
Child Support Enforcement Recoveries	-	-	-	-	-
Credit Bureau Reporting	-	-	-	-	-
Involuntary Withholding collections	-	-	-	-	-
Title IV-D Administration	-	-	-	-	-
Application Fees	-	-	-	-	-
County Nursing Facilities	-	-	-	-	-
Blood Testing Fees	-	-	-	-	-
Private Organizations or Individuals	-	-	-	-	-
DHHS/FFP-Medicaid Rehab Option	-	-	-	-	-
Medical	-	525,219	-	-	-
Third Party Liability	-	46,170	-	-	-
Medicaid	-	-	-	-	-
Contracts and Grants - Private Org.	-	-	-	-	-
Transfers From Other Funds (mandatory):	-	-	-	-	-
General Revenue Fund - 0001	-	-	-	-	-
University of Illinois Hospital Services Fund - 0136	-	-	-	-	-
Protest Fund - 0401	-	-	-	-	-
Public Assistance Recoveries Fund - 0421	-	-	-	-	-
Child Support Enforcement Trust Fund - 0957	-	-	-	-	-
Total cash receipts and transfers per Department	\$ 34	580,988	12,800	12,800	19,911
Less - In transit at June 30, 2004	-	(3,556)	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	-	-	-	-
Plus - In transit at June 30, 2003	-	1,833	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 34	579,265	12,800	12,800	19,911

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	#0575 Juvenile Rehab Services Medicaid Fund	#0718 Community Mental Health Trust Fund	#0720 Family Care Fund	#0728 Drug Rebate Fund	#0733 Tobacco Settlement Recoveries Fund
Health Standards Quality Bureau	\$ -	-	-	-	-
Medical Administration	-	-	-	-	-
Medical Assistance	-	-	-	-	169,992
Title IV-D	-	-	-	-	-
HHS Reimbursement/Medical Administration	-	-	-	-	-
HHS Reimbursement/Medical Assistance	-	-	-	-	-
Refugee/Entrant Program	-	-	-	-	-
HHS Reimbursement/Titles IV-D	-	-	-	-	-
Cook County/Local Government Units	-	-	-	-	-
Children's Health Insurance (KidCare)	-	-	-	-	-
Miscellaneous DPA	-	-	-	-	-
PAERF/Investment Income-DPA	-	-	-	-	-
Federal Money for Other State Agency	-	-	-	-	-
SDU Investment Income - DPA	-	-	-	-	-
Title XXI Share Premium	-	-	-	-	-
Health and Human Services	-	76,969	5,993	214,584	-
University of Illinois	-	-	-	-	-
Health Care Participation Quarterly Fee	-	-	-	-	-
Health Care Participation Supplemental Fee	-	-	-	-	-
HHS/Hospital Participation	-	-	-	-	-
User Fees/Administrative Reimbursements	-	-	-	-	-
Health Care Provider Taxes	-	-	-	-	-
Transfers From General Revenue Fund	-	-	-	-	-
Transfers From Tobacco Settlement Recovery Fund	-	-	-	-	-
Restitutions	-	-	-	-	-
Medical - Circuit Clerk	-	-	-	-	-
Federal Tax Offsets	-	-	-	-	-
State Tax Offsets	-	-	-	-	-
Clerk of Circuit Court	-	-	-	-	-
Unemployment Benefits	-	-	-	-	-
Earnfare Employment/Training	-	-	-	-	-
Interstate Collections	-	-	-	-	-
Fed. Institutions Data Match	-	-	-	-	-
Department of Revenue	-	-	-	-	-
Private Collection Agencies	-	-	-	-	-
State Disbursement Unit	-	-	-	-	-
Responsible Relative (NCP)	-	-	-	-	-
Child Support Enforcement Recoveries	-	-	-	-	-
Credit Bureau Reporting	-	-	-	-	-
Involuntary Withholding collections	-	-	-	-	-
Title IV-D Administration	-	-	-	-	-
Application Fees	-	-	-	-	-
County Nursing Facilities	-	-	-	-	-
Blood Testing Fees	-	-	-	-	-
Private Organizations or Individuals	-	-	-	-	-
DHHS/FFP-Medicaid Rehab Option	1,375	-	-	-	-
Medical	-	-	-	-	-
Third Party Liability	-	-	-	-	-
Medicaid	-	-	-	-	-
Contracts and Grants - Private Org.	-	-	-	-	-
Transfers From Other Funds (mandatory):					
General Revenue Fund - 0001	-	-	-	-	-
University of Illinois Hospital Services Fund - 0136	-	-	-	-	-
Protest Fund - 0401	-	-	-	-	-
Public Assistance Recoveries Fund - 0421	-	-	-	226,165	-
Child Support Enforcement Trust Fund - 0957	-	-	-	-	-
Total cash receipts and transfers per Department	\$ 1,375	76,969	5,993	440,749	169,992
Less - In transit at June 30, 2004	-	-	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	-	-	(226,165)	-
Plus - In transit at June 30, 2003	-	-	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	-	1	45
Total cash receipts and transfers per Comptroller	\$ 1,375	76,969	5,993	214,585	170,037

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	#0735 Independent Academic Medical Fund	#0740 Medicaid Buy In Program Revolving Fund	#0757 Child Support Administration Trust Fund	#0808 Medical Special Purpose Trust Fund	#0957 Child Support Enforcement Trust Fund
Health Standards Quality Bureau	\$ -	-	-	-	-
Medical Administration	-	-	-	6,456	-
Medical Assistance	-	-	-	-	-
Title IV-D	-	-	-	-	-
HHS Reimbursement/Medical Administration	-	-	-	-	-
HHS Reimbursement/Medical Assistance	-	-	-	-	-
Refugee/Entrant Program	-	-	-	-	-
HHS Reimbursement/Titles IV-D	-	-	-	-	-
Cook County/Local Government Units	-	-	-	-	-
Children's Health Insurance (KidCare)	-	-	-	-	-
Miscellaneous DPA	-	-	-	-	-
PAERF/Investment Income-DPA	-	-	-	-	-
Federal Money for Other State Agency	-	-	-	-	-
SDU Investment Income - DPA	-	-	-	-	-
Title XXI Share Premium	-	-	-	-	-
Health and Human Services	1,000	-	-	420	-
University of Illinois	-	-	-	-	-
Health Care Participation Quarterly Fee	-	-	-	-	-
Health Care Participation Supplemental Fee	-	-	-	-	-
HHS/Hospital Participation	-	-	-	-	-
User Fees/Administrative Reimbursements	-	-	-	-	-
Health Care Provider Taxes	-	-	-	-	-
Transfers From General Revenue Fund	-	-	32,300	-	-
Transfers From Tobacco Settlement Recovery Fund	1,000	-	-	-	-
Restitutions	-	-	1	-	-
Medical - Circuit Clerk	-	-	-	-	-
Federal Tax Offsets	-	-	-	-	46,733
State Tax Offsets	-	-	-	-	3,656
Clerk of Circuit Court	-	-	-	-	1,294
Unemployment Benefits	-	-	-	-	12,831
Earnfare Employment/Training	-	-	-	-	9
Interstate Collections	-	-	-	-	160
Fed. Institutions Data Match	-	-	-	-	4,521
Department of Revenue	-	-	-	-	6,641
Private Collection Agencies	-	-	-	-	13
State Disbursement Unit	-	-	-	-	50,621
Responsible Relative (NCP)	-	-	-	-	2,696
Child Support Enforcement Recoveries	-	-	9	-	-
Credit Bureau Reporting	-	-	-	-	841
Involuntary Withholding collections	-	-	-	-	2,625
Title IV-D Administration	-	-	94,426	-	-
Application Fees	-	-	2	-	-
County Nursing Facilities	-	-	-	-	-
Blood Testing Fees	-	-	35	-	-
Private Organizations or Individuals	-	-	-	-	-
DHHS/FFP-Medicaid Rehab Option	-	-	-	-	-
Medical	-	-	-	-	-
Third Party Liability	-	-	-	-	-
Medicaid	-	328	-	-	-
Contracts and Grants - Private Org.	-	-	-	30	-
Transfers From Other Funds (mandatory):					
General Revenue Fund - 0001	-	-	-	-	-
University of Illinois Hospital Services Fund - 0136	-	-	-	-	-
Protest Fund - 0401	-	-	-	-	-
Public Assistance Recoveries Fund - 0421	-	-	-	-	-
Child Support Enforcement Trust Fund - 0957	-	-	30,000	-	-
Total cash receipts and transfers per Department	\$ 2,000	328	156,773	6,906	132,641
Less - In transit at June 30, 2004	-	(17)	-	(30)	(467)
Less - Transfers Not Reported on Comptroller SB04 Report	-	-	(30,000)	-	-
Plus - In transit at June 30, 2003	-	9	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	750	-	201
Total cash receipts and transfers per Comptroller	\$ 2,000	320	127,523	6,876	132,375

STATE OF ILLINOIS
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Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2004

(expressed in thousands)

	Total All Funds
Health Standards Quality Bureau	\$ 7,603
Medical Administration	265,348
Medical Assistance	3,659,735
Title IV-D	16,890
HHS Reimbursement/Medical Administration	5
HHS Reimbursement/Medical Assistance	289,460
Refugee/Entrant Program	-
HHS Reimbursement/Titles IV-D	7
Cook County/Local Government Units	428,336
Children's Health Insurance (KidCare)	2,229
Miscellaneous DPA	-
PAERF/Investment Income-DPA	3
Federal Money for Other State Agency	-
SDU Investment Income - DPA	145
Title XXI Share Premium	1
Health and Human Services	1,777,290
University of Illinois	75,138
Health Care Participation Quarterly Fee	292,161
Health Care Participation Supplemental Fee	534,866
HHS/Hospital Participation	631,647
User Fees/Administrative Reimbursements	601
Health Care Provider Taxes	74,089
Transfers From General Revenue Fund	32,300
Transfers From Tobacco Settlement Recovery Fund	13,800
Restitutions	1
Medical - Circuit Clerk	193
Federal Tax Offsets	46,733
State Tax Offsets	3,656
Clerk of Circuit Court	1,294
Unemployment Benefits	12,831
Earnfare Employment/Training	9
Interstate Collections	160
Fed. Institutions Data Match	4,521
Department of Revenue	6,641
Private Collection Agencies	13
State Disbursement Unit	50,621
Responsible Relative (NCP)	2,696
Child Support Enforcement Recoveries	9
Credit Bureau Reporting	841
Involuntary Withholding collections	2,625
Title IV-D Administration	94,426
Application Fees	2
County Nursing Facilities	114,540
Blood Testing Fees	35
Private Organizations or Individuals	-
DHHS/FFP-Medicaid Rehab Option	1,375
Medical	525,219
Third Party Liability	46,170
Medicaid	328
Contracts and Grants - Private Org.	30
Transfers From Other Funds (mandatory):	
General Revenue Fund - 0001	44,700
University of Illinois Hospital Services Fund - 0136	80,632
Protest Fund - 0401	3,013
Public Assistance Recoveries Fund - 0421	253,286
Child Support Enforcement Trust Fund - 0957	30,000
Total cash receipts and transfers per Department	\$ 9,428,254
Less - In transit at June 30, 2004	(5,653)
Less - Transfers Not Reported on Comptroller SB04 Report	(411,631)
Plus - In transit at June 30, 2003	4,864
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	1,251
Total cash receipts and transfers per Comptroller	\$ 9,017,085

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Expenditures

The following is a summary of explanations for significant fluctuations in appropriated expenditures incurred by the Department for the fiscal year ended June 30, 2004 as compared to the fiscal year ended June 30, 2003. Included are explanations for variances to the General Funds greater than \$1 million and 15%, and explanations for variances to the Non-Major Funds and Agency Funds greater than \$300 thousand and 15%. Dollar amounts are stated in thousands unless otherwise stated. The Department's total appropriated expenditures for fiscal years ended June 30, 2004 and 2003 are presented in Schedule 2 of this report.

General Funds:

General Revenue Fund – 0001

Retirement: Decrease of \$2,209 (25.7%)

Per legislation 30 ILCS 105/14.1(a-1), no payments for the State contributions to retirement were made from payroll periods March 1, 2004 through June 30, 2004.

Deposit to CSETF: Decrease of \$5,700 (15.0%)

The decrease is due to the legislature appropriating less money in FY 2004 than in FY 2003.

County Hospital Services Fund – 0329

County Hospital Provider Services (Cook County) Provider: Increase of \$375,203 (26.0%)

The increase is due to an increase of \$24 million for newly enrolled hospital clinics for pharmacy claims, an increase of \$59 million in FY 2004 lapse period spending over FY 2003, an increase of \$32 million due to a change in the scheduling of payments and an increase of approximately \$260 million due to an enhanced federal financial participation rate which allowed for increased expenditures and a general increase in claims.

Long Term Care Provider Fund - 0345

Expenditures: Increase of \$101,683 (14.6%)

The amount appropriated in FY 2004 increased by \$103,125.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Expenditures (continued)

Medicaid Provider Relief Fund – 0367

Expenditures: Increase of \$849,847 (100.0%)

This is a new fund in FY 2004. The fund was created under legislation 30 ILCS 105/6z-62 for the purpose of paying medical claims under Title XIX of the Social Security Act and the Children's Health Insurance Act program. The expenditures were funded by short-term borrowing.

Public Assistance Recoveries Trust Fund – 0421

Contractual Services: Increase of \$1,084 (17.6%)

The increase is related to an increase in payments to the Statistical Services Revolving fund of \$1.1 million, Efficiency Initiative Payments of \$500 thousand, \$86 thousand for computer software licenses and maintenance, \$111 thousand in temporary services, \$24 thousand for rental of real property, \$19 thousand for building and grounds maintenance and \$10 thousand for utilities and other miscellaneous increases in expenditures. These increases were offset by decreases of \$423 thousand in postal charges, \$138 thousand in contractual employees, \$127 thousand for repair and maintenance of EDP equipment, \$96 thousand for management service and other miscellaneous decreases.

Payments to Local Government for Services to Recipients: Increase of \$4,901 (109.8%)

The increase is due to the federal review process resulting in five quarters of claims processed in FY 2004 versus three quarters in FY 2003.

Federal Share Due the General Revenue Fund: Increase of \$109,036 (60.0%)

These expenditures to the General Revenue Fund are based on receipts collected in this fund. There was an increase in receipts in this fund due mainly to an increase in drug rebate receipts which were a result of an increase in expenditures of pharmaceutical drugs, a full year of the supplemental rebates on expenditures for pharmaceutical drugs and the resolution of a disputed receivable in the drug rebate program. This resulted in an increased amount of expenditures.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Expenditures (continued)

Juvenile Rehabilitation Services Medicaid Matching Fund – 0575

Expenditures: Decrease of \$1,065 (37.4%)

The decrease is a result of less counties participating in the program and a reduction in claims in FY 2004 by Cook County and the Department of Corrections.

Family Care Fund – 0720

Expenditures: Increase of \$4,889 (370.4%)

This program was implemented on October 1, 2002, FY2003. Because of this, FY 2003 expenditures were for only a nine month period rather than a full year as in FY 2004. In addition, enrollments were initially lower at the beginning of the program and would have continued to grow in FY 2004 resulting in increased expenditures.

Drug Rebate Fund – 0728

Expenditures: Increase of \$155,967 (62.6%)

The increase is a result of an increase in FY 2004 appropriations over the FY 2003 appropriations. The increased was funded by an increase in the drug rebate monies collected in FY 2004 and an enhanced federal financial participation rate in FY 2004 by the U.S. Department of Health and Human Services.

Non-Major Funds:

Tobacco Settlement Recovery Fund – 0733

Prescribed Drugs: Increase of \$78,047 (35.4%)

The increase was a result of an increase in the FY 2004 appropriations over the FY 2003 appropriations.

Senior Care Help Line: Decrease of \$1,989 (100.0%)

No appropriation for FY 2004.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Expenditures (continued)

Child Support Administrative Fund – 0757

Contractual Services: Decrease of \$27,371 (34.8%)

The decrease is due to a decrease in operational expenditures (\$19 million), management consultants (\$3.6 million), IT consultants (\$1.6 million) and banking services (\$1.5 million) related to the change in vendors for the operations of the State Disbursement Unit that either were not expended in FY 2004 or were paid from a new appropriation in FY 2004 (SDU Costs). In addition, there were other miscellaneous decreases in FY 2004.

Equipment: Increase of \$1,643 (6,085.7%)

The increase is due to an increase in the purchase of various computer hardware in FY 2004.

SDU Costs: Increase of \$17,422 (100.0%)

This is a new appropriation in FY 2004 to pay the vendor operating the State Disbursement Unit. In FY 2003 these expenditures were paid from the contractual services appropriation in this fund.

Agency Funds:

Child Support Enforcement Trust Fund – 0957

Refund – Responsible relative: Decrease of \$416 (25.8%)

The decrease is a result of an increase in payments being processed by the State Disbursement Unit that used to be processed by IDPA.

Redirect NA – Out of State: Increase of \$4,498 (19.2%)

The increase is a result of participation in data reconciliations with several states that has lead to improved data for DCSE interstate cases. The results are an increased ability to collect and disburse monies on such cases.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Receipts

The following is a summary of explanations for significant fluctuations in receipts received by the Department for fiscal year ended June 30, 2004 as compared to the fiscal year ended June 30, 2003. Included are explanations for variances to the General Funds greater than \$1 million and 15% and explanations to the Non-Major Funds and Agency Funds greater than \$300 thousand and 15%. Dollar amounts are stated in thousands unless otherwise stated. The Department's receipts are presented in Schedule 6.

General Funds

General Revenue Fund - 0001

Federal Government: Increase of \$713,927 (23.3%)

The increase is the result of increased Medicaid spending which increased the federal matching amounts.

Federal Reimbursable Portion due from Public Assistance Recoveries Fund: Increase of \$105,187 (57.1%)

The increase is the result of increased Medicaid spending which increased the federal matching amounts. The federal matching amounts were at an enhanced Federal Medical Assistance Percentage (FMAP) level in fiscal year 2004 and for the last quarter of fiscal year 2003 that was collected in fiscal year 2004.

Local Illinois Governmental Units: Increase of \$73,432 (20.7%)

The increase is due to an increase in expenditures in the Cook County Hospital Services Fund (0329). The increased expenditures result in an increase in the intergovernmental payment from Cook County to the General Revenue Fund.

Transfers from Other Funds: Increase of \$35,925 (50.0%)

Mandatory transfers from University of Illinois Hospital Services Fund (0136) increased.

Explanation of Significant Variations in Receipts (continued)

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

County Hospital Services Fund - 0329

Federal Government: Increase of \$206,719 (28.3%)

Increase is due to increased Federal Financial Participation receipts as a result of increased reimbursable costs related to the opening of a new facility in Cook County along with newly enrolled hospital clinics for pharmacy claims. In addition the federal matching amounts were at an enhanced FMAP level in fiscal year 2004 and for the last quarter of fiscal year 2003 claims collected in fiscal year 2004.

Care Provider For persons With Developmental Disability – 0344

Federal Government: Increase of \$2,890 (16.7%)

Total reimbursable costs increased in fiscal year 2004 which resulted in an increase in Federal Financial Participation. In addition the federal matching amounts were at an enhanced FMAP level in fiscal year 2004 and for the last quarter of fiscal year 2003 claims collected in fiscal year 2004.

Long-Term Care Provider Fund - 0345

Federal Government: Increase of \$93,807 (26.7%)

This increase is due to an increase in current year reimbursable costs and an increase in the Federal Financial Participation due to an enhanced FMAP level for fiscal year 2004 and for the last quarter of fiscal year 2003 that was collected in fiscal year 2004.

Local Government Units: Increase of \$114,540 (100.0%)

The increase is due to an intergovernmental agreement with county nursing homes in the state, which began in fiscal year 2004.

Transfers from Other Funds: Decrease of \$12,504 (80.6%)

Represents a decrease in amounts transferred from the Protest Fund.

Explanation of Significant Variations in Receipts (continued)

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Medical Provider Relief – 0367

Federal Government: Increase of \$396,489 (100.0%)

This is a new fund in fiscal year 2004. The fund was created under legislation 30 ILCS 105/6z-62 for the purpose of paying medical claims under Title XIX of the Social Security Act and the Children's Health Insurance Act program. The expenditures were funded by short term borrowing.

Public Assistance Recoveries Trust Fund – 0421

Federal Government: Increase of \$4,901 (109.8%)

An increase in the expenditures by the local health departments resulted in an increase in Federal Financial Participation.

Recipient Collections: Increase of \$4,785 (18.8%)

The change is due to an increased number of collections related to liens and estates recoveries.

Private Organizations or Individuals: Increase of \$196,648 (57.0%)

The increase is due to an increase of \$187,973 in drug rebate collections, an increase of \$8,734 in third party liability recoveries and a decrease of \$59 in administrative reimbursement receipts. Drug rebate collections increased as a result of more resolved disputes and more drugs that were incorporated into the program.

Juvenile Rehabilitation Services Medicaid Matching Fund - 0575

Federal Government: Decrease of \$2,449 (64.0%)

The decrease is due to the Department of Corrections submitting fiscal year 2004 claims to IDPA after June 30, 2004, thereby reducing fiscal year 2004 Federal Financial Participation in comparison to fiscal year 2003.

Explanation of Significant Variations in Receipts (continued)

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Community Mental Health Medicaid Trust Fund – 0718

Federal Government: Increase of \$12,709 (19.8%)

This was a new fund in fiscal year 2003. Receipts from the federal government are contingent on program spending levels at the Department of Human Services. Those expenditures and the resulting federal claims increased in fiscal year 2004.

Family Care Fund - 0720

Federal Government: Increase of \$4,256 (245.0%)

Fiscal year 2003 was the first year of this program/fund and incurred only 9 months of reimbursable costs. In addition, the program and related receipts continued to grow in fiscal year 2004.

Drug Rebate Fund – 0728

Federal Government: Increase of \$94,313 (78.4%)

An increase in the monies transferred from the Public Assistance Recoveries Trust Fund due to increased drug rebate billings and increased appropriation authority resulted in increased expenditures and therefore increased Federal Financial Participation reimbursements at an enhanced rate for fiscal year 2004 in addition to claims for the last quarter of fiscal year 2003 at enhanced rates that were collected in fiscal year 2004.

Fund Transfers: Increase of \$83,207 (58.2%)

The transfers from the Public Assistance Recoveries Trust Fund increased from the Drug Rebate collections increasing as a result of more resolved disputes and more drugs that were incorporated into the program.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Receipts (continued)

Medical Special Purpose Trust Fund – 0808

Federal Government: Increase of \$1,359 (24.6%)

Fiscal Year 2004 was the first full fiscal year for Departmental HIPPA expenditures, which increased Federal Financial Participation by \$1.3 million.

Non-Major Funds

Tobacco Settlement Recovery Fund – 0733

Federal Government: Increase of \$71,271 (72.2%)

The fiscal year 2004 appropriation for prescribed drugs was increased. This resulted in increased spending and led to the increase in federal revenues. In addition the federal matching amounts were at an enhanced FMAP level in fiscal year 2004 and the last quarter of fiscal year 2003 that was collected in fiscal year 2004.

Child Support Administration Fund – 0757

Fund Transfers: Decrease of \$5,700 (15.0%)

The appropriation level for GRF transfers to this fund was lowered for fiscal year 2004.

Transfers from Other Funds: Increase of \$10,000 (50.0%)

This increase reflects amounts transferred from the 0957 fund for child support administrative costs and TANF recovery costs due the 0757 fund. Cash basis expenditures for the 12 months ended 6/30/2004 exceeded cash basis revenues (excluding GRF transfers) by approximately \$10 million, necessitating the additional transfers from the 957 fund.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Explanation of Significant Variations in Receipts (continued)

Child Support Enforcement Trust Fund – 0957

Child Support Collections: Increase of \$130,016 (100.0%)

Beginning in fiscal year 2004 the Department began using different receipt account classifications and descriptions for all of the collections in this fund. This is a new receipt account classification for fiscal year 2004. Overall, receipts did not fluctuate significantly when compared to FY 2003.

Repayment to State Pursuant to Law: Increase of \$2,625 (100.0%)

Beginning in fiscal year 2004 the Department began using different receipt account classifications and descriptions for all of the collections in this fund. This is a new receipt account classification for fiscal year 2004. Overall, receipts did not fluctuate significantly when compared to FY 2003.

Off-Set Claims: Decrease of \$47,522 (100.0%)

Beginning in fiscal year 2004 the Department began using different receipt account classifications and descriptions for all of the collections in this fund. This fiscal year 2003 receipt account classification was no longer used in fiscal year 2004. Overall, receipts did not fluctuate significantly when compared to FY 2003.

Responsible Relative Payments-Non ADC: Decrease of \$47,254 (100.0%)

Beginning in fiscal year 2004 the Department began using different receipt account classifications and descriptions for all of the collections in this fund. This fiscal year 2003 receipt account classification was no longer used in fiscal year 2004. Overall, receipts did not fluctuate significantly when compared to FY 2003.

Other States: Decrease of \$32,448 (100.0%)

Beginning in fiscal year 2004 the Department began using different receipt account classifications and descriptions for all of the collections in this fund. This fiscal year 2003 receipt account classification was no longer used in fiscal year 2004. Overall, receipts did not fluctuate significantly when compared to FY 2003.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Lapse Period Spending

The following is a summary of and explanations for significant lapse period expenditures incurred by the Department for fiscal year 2004. Included are lapse period expenditures for the General Funds that are greater than \$1 million and 15%, and lapse period expenditures for Non-Major Funds that are greater than \$300 thousand and 15% of the expenditure level noted in the following details. The Department's overall lapse period spending for fiscal year 2004 is presented in Schedule 1 of this report.

General Funds:

Trauma Center Fund – 0397

The lapse period spending of \$1,988 million is 20.8% of the total fund expenditures and represents the fourth quarter payments to the trauma centers.

Public Assistance Recoveries Trust Fund – 0421

Contractual Services lapse period spending of \$1,570 million is 21.6% of total spending for Contractual Services. It includes \$1,419 million in payments to the Statistical Services Revolving Fund, \$64 thousand for computer software maintenance and licenses, \$35 thousand for temporary services, \$18 thousand for consulting services, \$8 thousand for utility bills, \$5 thousand for on-line data access, \$4 thousand for court reporting and filing services and various miscellaneous expenditures.

Non-Major Funds:

Child Support Administrative Fund – 0757

Equipment lapse period spending of \$418 thousand is 25.0% of the total spending for equipment in this fund. It represents the purchase of EDP equipment.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts

For FY 2004 reporting the Department reclassified the Special Education Medicaid Matching, Trauma Center, Medical Research and Development, Post-Tertiary Clinical Services, Independent Academic Medical Center, Medical Special Purpose Trust, and Public Assistance Recoveries Trust funds from non-major to general funds. Balance sheet account amounts from FY 2003 for these funds have been included in general funds for appropriate comparison purposes. Threshold levels for analysis and explanation are changes of at least \$1 million and 15% for general funds, and changes of at least \$300 thousand and 15% for non-major and fiduciary/agency funds.

General Funds

Assets

Cash equity with State Treasurer/Cash and cash equivalents - The \$ 421 million increase was due to: an accumulation of cash in the Medicaid Provider Relief Fund because of short-term borrowing. This fund was created under legislation 30 ILCS 105/6z-62 for the purpose of paying medical claims under Title XIX of the Social Security Act and the Children's Health Insurance Act program. The expenditures were funded by short-term borrowing. The legislation dictated that "all federal matching funds received as a result of expenditures that are attributed to moneys deposited into the Fund" be deposited into this fund. The legislation further states "On July 1, 2004, the State Treasurer and the Comptroller shall transfer the balance in the Medicaid Provider Relieve Fund to the General Revenue Fund". The short-term borrowing also caused other accounts within the General Fund to have higher June 30th balances when compared to the prior year. In addition, the Cash and cash equivalent account, for FY 2004, reflects only cash held outside the State Treasury in locally held accounts whereas in FY 2003 the account included cash held both inside and outside the State Treasury.

Taxes receivable, net - The \$61.0 million decrease was due to: a \$1.5 million decrease in the General Revenue Fund from adjustments taken from a hospital provider to retire its accounts receivable; and a \$59.3 million decrease in the cigarette tax receivable at the Department of Revenue. Public Act 93-0022 eliminated the 30 day period in which a distributor had to pay the tax after receipt of the stamps.

Due from federal government - The \$413.2 million decrease was due to: a decrease in the medical liability at June 30, 2004. During June 2004, the State engaged in short-term borrowing in order to pay down medical claims and take advantage of an enhanced federal participation rate that was set to expire at June 30, 2004. As the medical liability decreased, so did the amounts due from the Federal government. In addition, there were other increases and decreases due to funds being reclassified from non-major to major.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts (continued)

Due from Local government - The \$45.8 million increase was due to: a \$41.8 million increase in the Intergovernmental Transfer due from Cook County as a result of an increase in hospital use and drug utilization; a \$2.9 million increase for a new Intergovernmental Transfer in FY 2004 due from County Nursing Homes; and miscellaneous variances in other accounts of the major fund group.

Liabilities

Accounts payable and accrued liabilities - The \$915.3 million decrease was due to: \$850 million in short-term borrowing that occurred in June. The State engaged in the short-term borrowing in order to pay down medical claims and take advantage of an enhanced federal financial participation rate that was set to expire at June 30, 2004. In addition, this account does not reflect the amount (\$263.2 million) owed to Cook County that is recorded in the Due to Local government account in FY 2004.

Individual changes in accounts of the General Fund are as follows: a decrease of \$594.7 million in the General Revenue Fund is the result of lower medical accruals from the State's borrowing and paying medical bills in June 2004 from the Medicaid Provider Relief Fund; a decrease of \$170.3 million in the County Hospital Services Fund where the payable was changed to "Due to local governments" for FY2004; a decrease of \$141.4 million in the Long-Term Care Provider Fund from reduced medical accrual, the result of less cash due from the Department of revenue at 6/30/04 and no federal financial participation receivable due to an enhanced FMAP rate resulting in less assets available at 6/30/04 for the medical accrual; a decrease of \$400 thousand in the Trauma Center Fund where lapse period expenditures were less in FY2004 compared to FY2003; a decrease of \$100 thousand in the Family Care Fund because there were no amounts due the program participants at 6/30/04 as a result of having no federal receivable; a decrease of \$8.7 million in the Drug Rebate Fund because the borrowing in the Medicaid Provider Relief Fund decreased the medical accrual allocated to this fund; an increase of \$300 thousand in the Medical Special Purpose Trust Fund is the result of increased HIPAA costs paid during the lapse period.

Due to Local government - The \$232.8 million increase was due to: an increase of \$263.2 million attributed to recording amounts payable to Cook County in this account in FY 2004 whereas in FY 2003 it was recorded in account Accounts payable and accrued liabilities. When comparing the amounts due to Cook County each year, the liability increased \$93 million as a result of increased hospital use and drug utilization; a decrease of \$29.7 million in the Special Education Medicaid Matching Fund the result of a Federal DHHS-CMS disallowance of administrative costs for local school districts in the claiming process plus certain costs associated with enhanced claiming (75% FMAP) were disallowed and reimbursed at a 50% FMAP rate; and miscellaneous variances in other accounts of the major fund group.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts (continued)

Due to component units of the State of Illinois - The \$9.6 million decrease was due to: a decrease of \$6.2 million in the General Revenue Fund because medical bills were paid from the Medicaid Provider Relief Fund in June 2004, and a decrease of \$3.4 million in the University of Illinois Hospital Services Fund the result of a decrease in the medical accrual allocation.

Deferred revenues - The \$66.4 million increase was due to: a \$65.7 million increase in the Cook County Intergovernmental Transfer not expected to be collected until after August 31st. The Intergovernmental Transfer is based on the medical liability attributed to Cook County. As that liability increased, so did the expected transfer amount. The collection of the transfer is dependent on the submission of the claims by Cook County and the subsequent payment. Estimates from historical claims data indicates that a significant portion of the claims will not be submitted until after August 31st thus deferring the recognition of the revenue. In addition, there were other increases and decreases in the various accounts of the funds making up the major funds group.

Notes Payable, Current - The \$802.9 million increase was due to the new Medicaid Provider Relief Fund this fiscal year with a note payable of \$852.9 million, offset by a \$50 million note payable in the prior fiscal year in the Long-Term Care Provider Fund not repeated.

Fund Equity

Unreserved, Unrestricted - The increase of the deficit of \$171.3 million is the result of: the \$852.9 million liability incurred due to short-term borrowing. In June 2004 the State engaged in short-term borrowing in order to pay down medical claims and to take advantage of an enhanced federal participation rate that was set to expire at June 30, 2004; an increase of \$129.8 million in the deficit of the County Hospital Provider fund due to an increase in the accrued medical liability as the result of increased hospitalization and pharmacy use in FY 2004; a decrease in the overall accrued medical liability of \$784.7 million which was a result of the short-term borrowing to reduce medical claims in June 2004; a decrease in the deficit of \$19.5 million in the University of Illinois Hospital Services fund due to increased efficiency in the billing process by the provider; a decrease of \$11 million in the deficit balance of the Special Education Medicaid Matching fund because of the disallowance of administrative costs for local school districts by the U.S. Department of Health and Human Services; other increases and decreases due to funds being reclassified from non-major to major.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts (continued)

Non-Major Funds

Assets

Due from federal government - The decrease of \$20.0 million was due to: a decrease of \$15.4 million in the Tobacco Settlement Recovery Fund due to the State's borrowing and paying medical bills in June, 2004 from the Medicaid Provider Relief Fund which resulted in a lower medical accrual in this fund, and a decrease of \$4.6 million in the Child Support Administration Fund as a result of higher federal grant receipts in FY2004 which resulted in reduced amounts receivable from the Federal Government.

Other receivables, net - The decrease of \$10.6 million is the result of changes made to estimates used to calculate the uncollectible and the State's share of the TANF receivable.

Unexpended appropriations - The decrease of \$14.4 million can be attributed to increased expenditures in the Tobacco Settlement Recovery Fund for prescribed drugs and a higher reimbursement rate from the Federal Government during FY2004.

Other Assets - The decrease of \$800 thousand is from the Child Support Administration Fund where an advance payment in the prior year was not repeated.

Liabilities

Accounts payable and accrued liabilities - The decrease of \$20.7 million was due to: a decrease of \$14.4 million in the Tobacco Settlement Recovery Fund due to the State's borrowing and paying medical bills in June, 2004 from the Medicaid Provider Relief Fund which resulted in a lower medical accrual in this fund, and a decrease of \$6.3 million in the Child Support Administration Fund due to decreased lapse period expenditures.

Due to federal government - The decrease of \$4.8 million is from the Child Support Administration Fund as a result of decreased TANF receivables in the Child Support Enforcement Trust Fund which are recorded in this fund.

Due to Local government - The \$2.6 million increase is from the Child Support Administration Fund as a result of larger participation in the program by local governments.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts (continued)

Due to Fiduciary funds - The \$300 thousand increase is from the Child Support Administration Fund where this category was included with due to other State funds in FY2003.

Due to Other State funds - the \$600 thousand decrease is from the Child Support Administration Fund and includes a decrease of \$200 thousand in statistical services during lapse and the rest being part of the due to Fiduciary funds in FY2004.

Fund Equity

Unreserved, unrestricted - The decrease of \$21.3 million was due to: a decrease of \$15.4 million in the Tobacco Settlement Recovery Fund is the result of decreased amounts due from the Federal Government, a decrease of \$5.8 million in the Child Support Administration Fund where the amounts due from the Federal Government and other receivables decreased more than the decrease in amounts due to the Federal Government and the increase in amounts due to local governments, plus a \$200 thousand decrease in the Provider Inquiry Trust Fund.

Fiduciary/Agency Funds

Assets

Cash and cash equivalents - The decrease of \$4.8 million is the result of a decrease of \$4.5 million in the Child Support Enforcement Trust Fund - SDU due to the SDU receiving record high amounts of receipts in FY2003 on the last two days of the fiscal year while in FY2004 receipts were very low on the last two days of the fiscal year. The Child Support Enforcement Trust Fund also had a decrease of \$300 thousand.

Other receivables, net - The decrease of \$64.1 million is from the Child Support Enforcement Trust Fund where receivables older than 180 days increased by \$64.1 million and were classified as uncollectible.

Liabilities

Accounts payable and accrued liabilities - The decrease of \$4.7 million is from the Child Support Enforcement Trust Fund - SDU and the Child Support Enforcement Trust Fund for the same reasons cash and cash equivalents decreased. Accounts payable are driven by cash receipts and balances.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004

Analysis of Significant Balance Sheet Accounts (continued)

Other liabilities - The decrease of \$64.2 million is the result of an increase in uncollectible amounts from non-custodial parents in the Child Support Enforcement Trust Fund. See the decrease in other receivables, net. These receivables are due to custodial parents and are classified here as other liabilities.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Years Ended June 30, 2004 and 2003

ANALYSIS OF ACCOUNTS RECEIVABLE

(amounts in thousands)

Balance Sheet at June 30th of	<u>2004</u>	<u>2003</u>
Accounts Receivable (Net)		
General Funds	\$ 110,170	\$ 158,736
Special Revenue Funds	10,432	21,067
Agency Funds	123,407	187,495
Total Accounts Receivable (Net)	\$ <u>244,009</u>	\$ <u>367,298</u>
Accounts Receivable - All Funds		
At Gross	2,682,537	2,573,634
Less: Allowance for Uncollectible Accounts	<u>(2,438,528)</u>	<u>(2,206,336)</u>
Total Accounts Receivable (Net)	\$ <u>244,009</u>	\$ <u>367,298</u>
Aging of Gross Receivables		
	<u>2004</u>	<u>2003</u>
Receivables Not Past Due	\$ 84,277	\$ 131,569
Past Due Receivables:		
1 - 30 Days	318,578	334,823
31 - 90 Days	11,281	21,052
91 - 180 Days	9,923	14,711
181 Days - 1 Year	36,986	29,906
Over 1 Year	<u>2,221,495</u>	<u>2,041,573</u>
Total	\$ <u>2,682,540</u>	\$ <u>2,573,634</u>

Receivable areas within the Department adhere to the guidelines set forth by the Illinois State Collections Act of 1986 along with policy and legislation relevant to their program. Included in those guidelines are: internal offsets against future claims for providers with outstanding debt, Comptroller's Offset system, cyclical billings, letters and telephone contacts, private collection agencies, liens and judgments, and notify credit reporting agencies. In addition, the Department has implemented other methods of collection such as: income withholding, unemployment insurance benefit intercept, federal income tax refund offsets, professional license revocations, judicial remedies, driver's license revocations, new hire reporting, financial institution data match, agency collectors, Department of Revenue initiative, and referral to Attorney General's office.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2004
(Expressed in thousands)

(Unaudited)

Indirect Cost Reimbursement

The Department uses a cost allocation methodology to allocate indirect costs associated with the federal programs it administers in accordance with the Federally Approved Public Assistance Cost Allocation Plan. For fiscal year 2004 the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$57,597. For fiscal year 2003 the Department's indirect cost pool, comprised of personal services and overhead expenditures, aggregated \$66,490.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Schedule of Adjudication Pattern, Payment Patterns and Claims Paid
For the year ending June 30, 2004
(WITH COMPARATIVE AMOUNTS FOR FY2003)

(Unaudited)

This only reflects schedules processed through MMIS	Adjudication processing time elapsing in calendar days		Time elapsing in calendar days, to pay a claim		Total dollar amount of claims paid	
	Average for FY 2003	Average for FY 2004	Average for FY 2003	Average for FY 2004	FY 2003	FY 2004
Description						
<u>General Revenue Fund</u>						
Drugs	25.8	35	54	48.8	\$944,933,310	\$1,386,995,112
Hospitals						
Inpatients	29.8	31.8	53.7	43.3	\$1,353,639,179	\$1,771,553,769
Ambulatory	26.1	34.8	53.2	49.1	\$231,651,132	\$404,856,228
Long-term care	28.4	15.8	69.4	29.7	\$795,983,770	\$808,752,757
Long-term care developmentally disabled	11	17.8	56.3	35.6	\$331,191,017	\$331,707,134
Non-institutional provider services	26.8	33.4	46.8	44.7	\$415,622,012	\$466,824,303
Physician	24	32.4	43.7	44.8	\$473,465,931	\$613,580,192
Overall averages/totals	24.6	28.7	53.9	42.3	\$4,546,486,351	\$5,784,269,495
<u>Assessment Trust Funds</u>						
Drug Rebate	16.3	28.3	18.2	30.5	\$124,481,210	\$298,404,527
Long-term care	26.8	22.2	32.9	26.2	\$688,961,803	\$792,325,206
Long-term care - developmentally disabled	12.3	15.2	18	18.2	\$31,174,637	\$34,763,182
Overall averages/totals	18.5	21.9	23.0	25.0	\$844,617,650	\$1,125,492,915

This analysis presents average Medicaid adjudication days, which are defined as the time elapsing in calendar days from the receipt date to the date the claims are vouchered. This schedule also presents average payment days, which are defined as the time elapsing in calendar days from the receipt date to the date a warrant is mailed by the State Comptroller.

This schedule does not include HMO or Quarterly CHAP expenditures, as these adjudication and payment cycles are not tracked.

The Long-term care - developmentally disabled general revenue fund and assessment trust fund are Department of Human Services (DHS) appropriations, but the Department of Public Aid manages payment of claims from these funds on behalf of DHS.

Analysis of Operations

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2004

Department Functions and Planning Program

The Illinois Department of Public Aid (Department) was established in July 1963, replacing the Illinois Public Aid Commission. The original mission of the Department was to administer the state's public assistance programs. Today, the Department of Public Aid is committed to improving the health of Illinois' families by providing access to quality health care and enforcing child support payment obligations for Illinois' most vulnerable children. The Department provides health benefits to low income families, as well as elderly and disabled individuals and ensures that children receive the financial support they are entitled to from non-custodial parents. The two primary program areas within the Department are Medical Assistance (MA) and Child Support Enforcement (CSE). The Office of Inspector General (OIG) also resides within the Department but functions as a separate, independent entity and reports directly to the governor's office.

The fiscal year 2004 all funds appropriation was \$10.8 billion, which included a supplemental appropriation of \$977 million allowing the Department to take advantage of a temporary increased federal match rate which expired June 30, 2004. Ninety-seven percent of this total is MA and two percent is CSE. The total increase from fiscal year 2003 to fiscal year 2004 was \$2.2 billion. The Department garnered approximately \$6.4 billion in federal funds for fiscal year 2004 which includes expenditures from other agencies.

Medical Assistance

In fiscal year 2004, the average monthly count of enrolled individuals for which the MA program provided medical coverage was 1.9 million, including pregnant women; infants; children and teenagers; seniors and people with disabilities; people struggling with one-time catastrophic medical bills; seniors needing prescription drugs and children and adults with chronic health problems. Licensed practitioners, hospital and nursing facilities, and other non-institutional providers enrolled in the MA program provide these medical services. The primary goal of this program is to improve the health of MA and KidCare participants by providing access to quality healthcare.

About two-thirds of the MA program budget is expended for health care to seniors and persons with disabilities. The monthly average number of Medicaid recipients age 65 and over was 143,729 in fiscal year 2004, excluding SeniorCare, compared to 141,589 in fiscal year 2003. The total number of persons with disabilities on Medicaid was 277,505 in fiscal year 2004. Long-term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over in fiscal year 2004 was approximately 41,727 individuals.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2004

Department Functions and Planning Program (continued)

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2004. KidCare offers health care coverage to children and pregnant women and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. In addition, the Department again expanded coverage to parents of KidCare children in 2004 through a federal waiver program. As of June 30, 2004, there were 377,611 parents covered through the Department's MA program. Of those, some 51,440 have gained coverage through the FamilyCare program.

Building upon the state's highly successful Circuit Breaker/Pharmaceutical Assistance program, Illinois began the SeniorCare program in June 2002. The Illinois Medicaid waiver was the first of its kind in the nation and has become a model touted by the federal government to other states. SeniorCare makes drugs truly affordable for low-income seniors – paying over 90 percent of the average eligible senior's drug costs. SeniorCare covers all major prescription drugs for eligible seniors for a modest co-payment, thereby increasing access to prescription drugs for the elderly and improving health. Eligible seniors are those 65 years of age and older with income at or below 200 percent of the Federal Poverty Level (FPL) or approximately \$18,624 annual income for a single person and \$24,984 for a couple.

The Department is committed to providing access to quality health care in the most cost effective and efficient way possible. The mission of the OIG is to prevent, detect, and eliminate fraud, waste, abuse, misconduct and mismanagement in the programs administered by the Department. The OIG also conducts investigations for former DPA programs now administered by the Department of Human Services. OIG combats fraud and abuse by implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and Quality of Care reviews of Medicaid providers and identifying assets which were not disclosed by applicants for long term care.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2004

Department Functions and Planning Program (continued)

Child Support Enforcement

The Division of Child Support Enforcement serves just under 700,000 cases comprised of both Temporary Assistance to Needy Families (TANF) clients and any other Illinois citizens requesting child support enforcement services. The Division helps to establish paternities for IV-D children born out of wedlock, locates non-custodial parents, establishes child support through judicial or administrative processes, and enforces child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF and non-TANF cases are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit.

Total program expenditures reflect administrative expenses from the Child Support Administrative Fund (CSAF), the General Revenue Fund (GRF) and allocation of the Department's indirect administrative expenditures. Not included are the dollars expended as payments to custodial parents, refunds to non-custodial parents who have overpaid support and expenditures from the Illinois Department of Revenue and the Office of the Illinois Attorney General.

For fiscal year 2004, total collections of over \$950 million exceeded the fiscal year 2003 total collections by \$90 million. Total collections include non IV-D collections made by the State Disbursement Unit (SDU).

Planning Process

In fiscal year 2004, the Department conducted its strategic planning effort in conjunction with the Governor's Office. The Department was assigned an outside contractor to assist with the development of initiatives consonant with the Governor's priorities. For fiscal year 2004, the focus was on a few key initiatives that best reflected the mission and were feasible, based on available resources. Department goals were then developed to support these key initiatives.

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Analysis of Operations
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Department Functions and Planning Program (continued)

The Department submitted an initial draft to the Governor's Office of Management and Budget on August 8th. The strategic plan was revised, based on feedback and discussion, and the final plan was due September 27th. As part of the Governor's Performance Management Initiative, performance measures were also developed and targets established for each goal. These performance metrics were finalized and implemented following a process similar to the strategic plan process.

With the development phase complete, the Office of Planning began monitoring the progress of all projects related to the accomplishments of our new strategic plan. As part of this monitoring, responsible parties, targets, and milestones were identified. The monitoring process allows the Department to collect hard data on how well the Department's programs are performing and what effect the implementation of the strategic plan has on Department outcomes. The Department also reports progress toward our performance metrics to the Governor's Office on a quarterly basis.

Auditors' Assessment of Planning Program

The planning program described above appears to be adequate. It appears the Department has established programs to meet the defined goals and objectives of the Department and to fulfill its statutory objectives and responsibilities.

STATE OF ILLINOIS
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Analysis of Operations
For the Year Ended June 30, 2004

Average Number of Employees

Below is a summary of the average number of personnel employed by the Department, by fund

	2004	2003
General Revenue Fund		
Program Administration	357	381
Office of Inspector General	205	228
Attorney General	22	24
Medical	473	510
Managed Care	23	28
Kid Care - Look a Like	47	54
Kid Care - Rebate	40	47
Medi Rev*	9	10
Total General Revenue Fund	1,176	1,282
Other Funds		
Care Provider for Persons with DD	1	1
Long-Term Care Provider	13	14
Medical Special Purpose Trust	9	10
Child Support Administration	997	1,062
Public Assistance Recoveries Trust	151	160
Total Other Funds	1,171	1,247
Grand Total - All Funds	2,347	2,529

* Medical electronic interchange recipient eligibility verification

**STATE OF ILLINOIS
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Analysis of Operations
For the Year Ended June 30, 2004

Fiscal Year Statistics (Unaudited)
Medicaid Enrollment

		<u>2004</u>	<u>2003</u>
Enrollees as of June 30	*	1,991,346	1,838,535
Annual payments	**	\$7,049,793,600	\$6,105,330,500
Payment per enrollee	***	\$3,540	\$3,321

SOURCE: Prepared by Division of Finance

NOTES:

* 9/17/04 MERA report – includes SeniorCare

** 10/05/04 Comptroller Spending report – FY '04 Appropriation Spending

*** For illustration purposes only, payment per enrollee is calculated by dividing annual payments by fiscal year end enrollees. This figure does not represent actual cost per user.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2004

Emergency Purchases

<u>Contracts Identified as "Emergency"</u>	<u>Total \$ Value of the "Emergency" Contracts</u>
FY 2004 = 2	\$3,797,386.50

Total includes Multi-Year contract costs

<u>FY 2002 - 2004 (Multi Year)</u>		
Provider Synergies	Preferred Drug List implementation and operation and supplemental drug rebate programs.	\$ 3,738,330.53
<u>FY 2004</u>		
Oak Brook Bank	Amend the renewed FY2004 contract to include an updated fee schedule in order to keep the SDU Revolving Fund Accounts open and phase them out over a six month period (July 1, 2003 through December 31, 2003). Necessary for the child support clients to be able to cash checks issued from these accounts without having to go through the Court of Claims.	59,055.97
Total		\$ <u><u>3,797,386.50</u></u>

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2004 and 2003

(Unaudited)

Service Efforts and Accomplishments

Program

Medical Programs

Narrative Description of the Program

The Division of Medical Programs provides managed care services, long term care services, and comprehensive health services to Illinois' neediest citizens. The Department of Public Aid (Department) is also the primary State administrator of federal Medicaid health care policies under the Social Security Act. Through a central unit based in Springfield, the Department also determines eligibility for KidCare and FamilyCare (Medicaid and State Children's Health Insurance Program health plans for pregnant women, children and parents) program through mail-in applications. In-person applications are taken and processed by Illinois Department of Human Services local offices throughout the State.

Program Goal

The program goal is to improve the health of Illinois' children and families by providing access to quality medical care.

Performance Measures

	<u>FY 2003</u>	<u>FY 2004</u>
Total Medical Program Expenditures (in millions)	\$8,047	\$10,195
Number of actively enrolled physicians billing over 100 claims per year	15,677	16,651
Total children enrolled in Medical Programs	1,022,058	1,094,077

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2004 and 2003

(Unaudited)

Service Efforts and Accomplishments (continued)

Evaluation of Performance/Activity Measures

KidCare/FamilyCare

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2004. KidCare offers health care coverage to children and pregnant women and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. In addition, the Department again expanded coverage to parents of KidCare children in 2004 through a federal waiver program. As of June 30, 2004, there were 377,611 parents covered through the Department's medical assistance programs. Of those, some 51,440 have gained coverage through FamilyCare program.

SeniorCare and Persons with Disabilities

About two-thirds of the medical assistance program budget is expended for health care to seniors and persons with disabilities. The monthly average number of Medicaid recipients age 65 and over was 143,729 in fiscal year 2004, excluding SeniorCare, compared to 141,589 in fiscal year 2003. The monthly average of SeniorCare recipients was 166,284 and the total number of persons with disabilities on Medicaid was 277,505 in fiscal year 2004. Long term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over in fiscal year 2004 was approximately 41,727 individuals.

Accountability

Although providing access to quality health care is the overriding mission of the Department, its goal is to be accountable to the citizens of Illinois and to perform this function in the most cost effective and efficient manner. Two indicators have been selected to measure this effectiveness: Savings from prepayment review of over 3 million medical services and preventing unnecessary expenditures. Savings from prepayment review of claims for fiscal year 2004 was over \$51 million. Cost avoidance is a strategy, recognized by HCFA, and is devised to make Medicaid the payer of last resort. Cost avoided dollars are Medicaid savings, realized through the discovery of a private payer responsible for medical bills of medical assistance participants. The Department saved the taxpayers of Illinois over \$123 million in fiscal year 2002, \$111 million in fiscal year 2003, and over \$122 million in fiscal year 2004.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2004 and 2003

(Unaudited)

Service Efforts and Accomplishments (continued)

Program

Child Support Enforcement

Narrative Description of the Program

The Division of Child Support Enforcement (DCSE) serves just under 700,000 cases comprised of both Temporary Assistance to Needy Families (TANF) clients and any other Illinois citizens requesting child support enforcement services. The Division helps to establish paternities for IV-D children born out of wedlock, locates non-custodial parents, establishes child support through judicial or administrative processes, and enforces child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF and non-TANF cases are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit. These activities suggest some of the basic indicators of the Division's performance, many of which are driven by federal reporting requirements and standards.

Program Goal

The program goal is to enforce child support payment obligations of non-custodial parents for Illinois' most vulnerable children.

Performance Measures

	<u>FY 2003</u>	<u>FY 2004</u>
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	\$859,248	\$950,080
Number of IV-D cases with new support orders established	48,089	50,219
Amount of total child support arrearages collected (includes all Title IV-D, TANF & non-TANF)	\$138,724	\$202,763

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Analysis of Operations
For the Years Ended June 30, 2004 and 2003

(Unaudited)

Service Efforts and Accomplishments (continued)

Evaluation of Performance/Activity Measures

Effectiveness is measured by monitoring the status of the measures above on an ongoing basis. Additionally, DCSE measures the percentage of children in IV-D cases born out-of-wedlock where parentage has been established and the percentage of IV-D cases where support orders are established.

Program

Inspector General

Narrative Description of the Program

The Inspector General is appointed by and reports to the Governor, and is confirmed by the Senate. The mission of the Office of Inspector General (OIG) is to prevent, detect and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department of Public Aid. The OIG also conducts investigations for Department programs administered by the Department of Human Services.

Program Goal

The OIG is committed to combating fraud and abuse through its efforts of implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and quality of care reviews of Medicaid providers, and identifying assets hidden by long term care applicants.

Performance Measures

	<u>FY2003</u>	<u>FY2004</u>
Provider post-payment audits performed	555	725
Number of fraud prevention investigations completed	4,400	4,400

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2004 and 2003

(Unaudited)

Service Efforts and Accomplishments (continued)

Evaluation of Performance/Activity Measures

The OIG conducted 725 post-payment audits during fiscal year 2004, which are 250 more audits than the targeted goal of 475 audits. The audits were conducted to help ensure that Medicaid dollars were spent appropriately. These audits allowed the OIG to recover \$30.3 million in overpayments during fiscal year 2004. This dollar amount represents an increase in recoveries of approximately \$8.7 million compared to fiscal year 2003.

The OIG also conducted 4,400 Fraud Prevention Investigations (FPI's) during fiscal year 2004, to prevent ineligible applicants from receiving welfare benefits. The number of investigations conducted during fiscal year 2004 also accounted for 100 percent of the targeted goal of 4,400 investigations.

STATE OF ILLINOIS
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Analysis of Operations
For the Year Ended June 30, 2004

Ratio of Federal Expenditures to Total Agency Expenditures
(Amounts in Thousands)

	2004	
	Amount	Percent
Federal Funds (note 1)	\$ 5,923,611	65.0%
Nonfederal Funds (note 2)	3,193,328	35.0%
Total	\$ 9,116,939	100.0%

Note 1 - Federal funds represent cash disbursements as reflected on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004.

Note 2 - Nonfederal funds represent total expenditures, less federal funds, on the modified accrual basis as reflected in the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance for the year ended June 30, 2004.