

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2014
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2014
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page(s)</u>
Agency Officials		1
Management Assertion Letter		2 - 3
Compliance Report:		
Summary		4 - 6
Independent Accountant's Report on State Compliance and on Internal Control Over Compliance		7 - 9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		10 - 11
Schedule of Findings		
Current Findings – <i>Government Auditing Standards</i>		12 - 13
Current Findings – State Compliance		14 - 37
Prior Findings Not Repeated		38
Financial Statement Report:		
Summary		39
Independent Auditor's Report		40-43
Basic Financial Statements		
Statement of Net Position and Governmental Funds Balance Sheet		44
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position		45
Statement of Activities and Governmental Revenues, Expenditures, And Changes in Fund Balances		46
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities		47
Statement of Fiduciary Net Position		48
Statement of Changes in Fiduciary Net Position		49
Notes to Financial Statements		50-67

Supplementary Information		
Combining Balance Sheet – Nonmajor Governmental Funds		68
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds		69
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds		70
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds		71
Statement of Changes in Assets and Liabilities – Agency Fund		72
Supplementary Information for State Compliance Purposes:		
Summary		73
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2014	1	74-76
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2013 (Unaudited)	2	77-79
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	3	80-81
Schedule of Changes in State Property	4	82
Comparative Schedule of Cash Receipts	5	83
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	6	84
Analysis of Significant Variations in Expenditures	7	85
Analysis of Significant Variations in Receipts	8	86
Analysis of Significant Lapse Period Spending	9	87-89
Analysis of Accounts Receivable	10	90
Analysis of Operations (Unaudited)		
Agency Functions and Planning Program (Unaudited)		91-93
Average Number of Employees (Unaudited)		94
Emergency Purchases (Unaudited)		95
Service Efforts and Accomplishments (Unaudited)		96-101
Schedule of Indirect Cost Reimbursements (Unaudited)		102

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2014
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

AGENCY OFFICIALS

Director	George H. Sheldon – Acting (2/16/15 – present) Dr. Cynthia L. Tate – Acting (1/20/15 – 2/15/15) Bobbie Gregg – Acting (2/28/14 – 1/19/15) Arthur Bishop (1/24/14 – 2/27/14) Denise Gonzales (11/16/13 – 1/23/14) Richard Calica (12/15/11 – 11/15/13)
Chief of Staff	Denice Murray (6/23/14 – present) Carolyn Ross (11/16/13 – 6/22/14) Denise Gonzales (3/5/12 – 11/15/13)
Deputy Chief of Staff	Erika LaCerde (7/1/12 – present)
Deputy Director of Budget and Finance and Chief Financial Officer	Matthew Grady III (2/1/14 – present) Chuck Morris (2/18/13 – 1/31/14)
Chief Legal Counsel	Michelle Jackson (7/1/14 – present) Janet Ahern - Acting (5/1/14 – 6/30/14) Dixie Peterson (7/1/12 – 4/30/14)
Acting Chief Internal Auditor	Denise Caldwell

Department administrative offices are located at:

406 East Monroe
Springfield, IL 62701

MANAGEMENT ASSERTION LETTER

March 3, 2015

Sikich LLP
132 S. Water Street, Suite 300
Decatur, Illinois 62523

Ladies and Gentlemen:

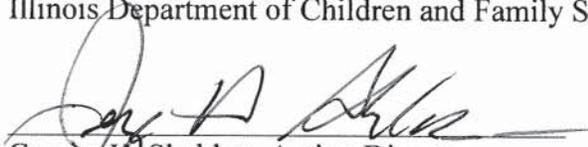
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Department of Children and Family Services (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2014. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2014, the Department has materially complied with the assertions below.

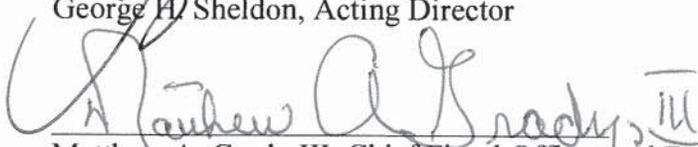
- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with 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. 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,

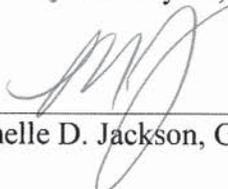
and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Children and Family Services


George H. Sheldon, Acting Director


Matthew A. Grady III, Chief Fiscal Officer and Deputy Director, Office of Budget and Finance


Michelle D. Jackson, General Counsel and Deputy Director, Office of Legal Services

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2014
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	17	16
Repeated findings	13	9
Prior recommendations implemented or not repeated	3	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2014-001	12	Lack of financial reporting review procedures	Significant Deficiency and Noncompliance
FINDINGS (<i>STATE COMPLIANCE</i>)			
2014-002	14	Incomplete child welfare files	Significant Deficiency and Noncompliance
2014-003	17	Child abuse and neglect determinations	Significant Deficiency and Noncompliance
2014-004	19	Initiation of child abuse and neglect investigations	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-005	21	Noncompliance with Child Death Review Team Act	Significant Deficiency and Noncompliance
2014-006	23	Noncompliance with State Services Assurance Act for FY2008	Significant Deficiency and Noncompliance
2014-007	24	Inadequate compliance with Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2014-008	26	Untimely approval of contracts	Significant Deficiency and Noncompliance
2014-009	27	Lack of documentation of monitoring contracts	Significant Deficiency and Noncompliance
2014-010	28	Contracts lack required subcontractor agreements	Significant Deficiency and Noncompliance
2014-011	29	Inadequate property control procedures	Significant Deficiency and Noncompliance
2014-012	31	Federal reimbursements not requested timely	Significant Deficiency and Noncompliance
2014-013	32	Noncompliance with Children and Family Services Act	Significant Deficiency and Noncompliance
2014-014	34	Noncompliance with Juvenile Court Act of 1987	Significant Deficiency and Noncompliance
2014-015	35	Employee performance evaluations not performed	Significant Deficiency and Noncompliance
2014-016	36	Accident Reports not filed timely	Significant Deficiency and Noncompliance
2014-017	37	Noncompliance with the Abused and Neglected Child Reporting Act	Significant Deficiency and Noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirement for State Compliance.

2014-001	12	Lack of financial reporting review procedures	Significant Deficiency and Noncompliance
----------	----	---	--

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	38	Inconsistent identification procedures
B	38	Failure to comply with the Identity Protection Act
C	38	Noncompliance with the Afterschool Youth Development Project Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 20, 2015.

Attending were:

Department Personnel: Matthew Grady, III, Chief Fiscal Officer
Ray Piiparinen, Audit Liaison
Patrick Dominguez, Financial Management, SPSA
Marilyn Arnold, Deputy Bureau Chief, Permanency
Cheryl McIntire, Bureau of Operations, Statewide Adoptions
Rachael R. Kerrick, Enterprise Framework Administrator

Office of the Auditor General: Elvin Lay, Audit Manager

Special Assistant Auditors from Sikich LLP: Tom Leach, Partner
Ann Bova, Supervisor

Responses to the recommendations were provided by Matthew Grady, III, Chief Fiscal Officer in a letter dated February 27, 2015.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Children and Family Services' 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 two years ended June 30, 2014. The management of the State of Illinois, Department of Children and Family Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Children and Family Services' compliance based on our examination.

- A. The State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services on behalf of the State or held in trust by the State of Illinois, Department of Children and Family Services 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 State of Illinois, Department of Children and Family Services' compliance with those requirements listed in the first paragraph of this report 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 State of Illinois, Department of Children and Family Services' compliance with specified requirements.

In our opinion, the State of Illinois, Department of Children and Family Services complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. However, the results of our procedures disclosed instances of noncompliance with the requirements, 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 findings as items 2014-001 through 2014-017.

Internal Control

Management of the State of Illinois, Department of Children and Family Services is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Children and Family Services' internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2014-001 through 2014-017, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Department of Children and Family Services' responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Children and Family Services' responses and, accordingly, we express no opinion on the responses.

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

Sikich LLP

Decatur, Illinois
March 3, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Children and Family Services, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements, and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Department of Children and Family Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Children and Family Services' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Children and Family Services' 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*.

State of Illinois, Department of Children and Family Services' Response to Findings

The State of Illinois, Department of Children and Family Services' response to the finding identified in our audit is described in the accompanying schedule of findings. The State of Illinois, Department of Children and Family Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Decatur, Illinois
January 15, 2015

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

SCHEDULE OF FINDINGS

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-001. **FINDING** (Lack of financial reporting review procedures)

The Department of Children and Family Services (Department) did not have adequate review procedures in place to ensure the financial statement information was accurately prepared.

During our audit of the Department's financial statements we identified instances in which beginning of year balances were not correct, which required adjustments totaling a net amount of \$4.058 million, to properly reflect the fiscal year 2014 income and expense. After we made the Department aware of these errors, the Department appropriately communicated the differences to the Office of the State Comptroller (Comptroller) and also ensured that the fiscal year 2014 financial statements were adjusted to report correct beginning of year balances.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with generally accepted accounting principles (GAAP).

In order to improve its financial reporting process, we noted that the Department had contracted with an outside accounting firm to prepare its GAAP fund packages, which the Department is required to annually submit to the Comptroller, as well as its financial statements for fiscal years 2013 and 2014. However, the Department still has the responsibility to review the work performed by its contractor. The Department personnel stated that the errors identified above were an oversight.

Failure to implement appropriate internal control procedures over financial reporting could lead to future misstatements of the Department's financial statements and the Statewide financial statements. (Finding Code No. 2014-001, 12-1, 10-1, 08-1)

RECOMMENDATION

We recommend the Department continue in its effort to implement internal control procedures to assess the risk of material misstatements of the Department's financial statements and to identify such misstatements during the financial statement preparation process. In addition, we recommend that personnel responsible for preparing the Department's financial statements receive adequate training and guidance to ensure accurate and complete financial statements are prepared.

DEPARTMENT RESPONSE

The Department agrees that we have made improvements in this area with specific actions taken to enlist the services of a qualified CPA firm to assist with the preparation of reports and by hiring a resource into the Financial Management SPSA role. We concur with your recommendation that we continue in our efforts to implement additional internal control and review procedures, as well as, providing adequate training and guidance for personnel responsible for preparing the Department's financial statements.

We anticipate the need for a new GAAP coordinator for the Department due to the retirement of the current coordinator. New requirements by the State include that this position be a registered or licensed CPA, or possess other relevant certification, such as CPFO (Certified Public Finance Officer as designated by the Government Finance Officers Association). In addition, the Department will take steps to ensure that appropriate personnel take additional training courses in line with those standards issued by the Financial Reporting Standards Board (FRSB) and professional development opportunities provided by organizations such as the Government Finance Officers Association.

CURRENT FINDINGS – STATE COMPLIANCE

2014-002. **FINDING** (Incomplete child welfare files)

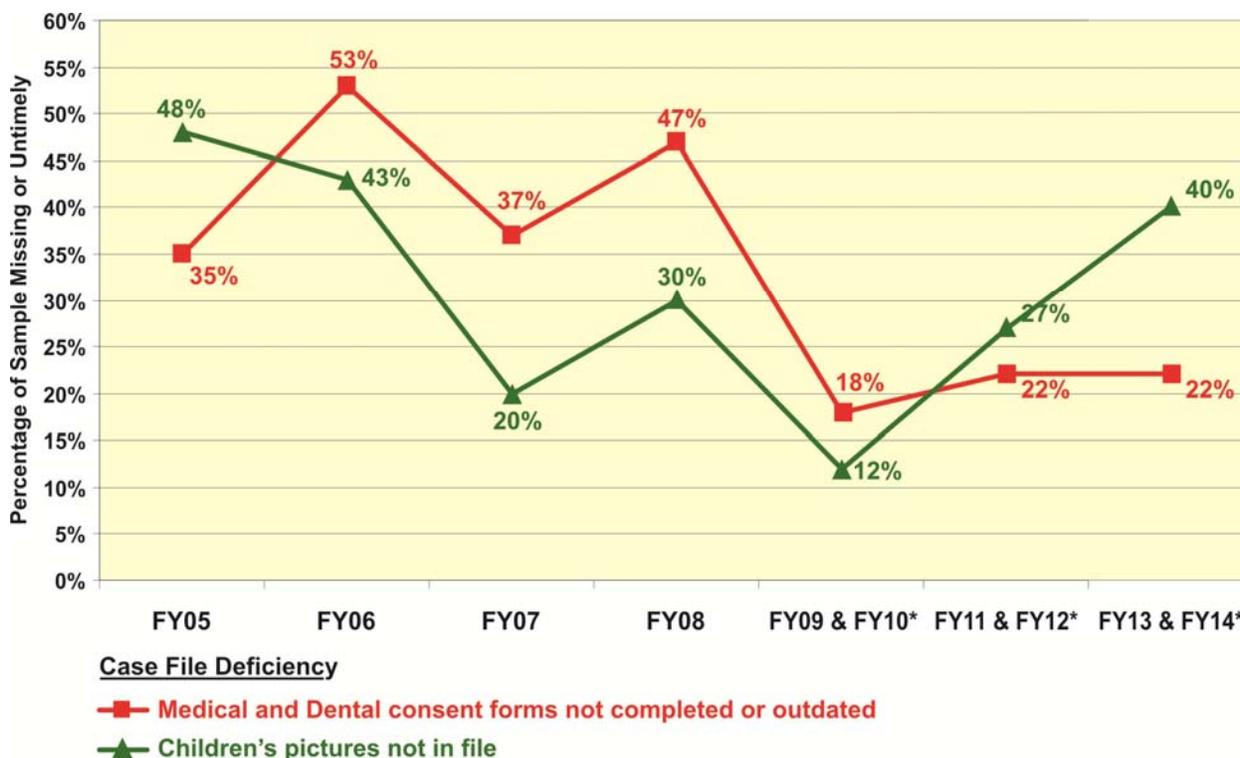
The Department of Children and Family Services’ (Department) Child Welfare and Foster Care and Intact Family Case files lacked required documentation and not all case procedures were performed timely.

During our review of case files, we noted the following required documentation was not maintained in the file or was not prepared timely. Our sample consisted of 25 child welfare case files managed by Department staff and 25 child welfare case files managed by purchase of service (POS) contractors. We noted the following deficiencies:

<u>Case File Deficiency</u>	<u>Case File Requirement</u>	<u>Authority</u>
Eight (16%) of 50 Family Assessment Factor Worksheets (CFS1440)/Statewide Automated Child Welfare Information System (SACWIS) Risk Assessment were not maintained in the case file or the Department’s automated case information. Summary of exceptions: 6 POS-managed; 2 DCFS staff-managed	When child welfare staff are engaged in preliminary activities the CFS 1440/SACWIS Risk Assessment is to be completed to indicate what actions have been taken in the investigation.	DCFS Administrative Procedure #5
Eleven (22%) of 50 Medical & Dental Consent Forms (CFS 415 or 431) were not completed and/or were outdated. Summary of exceptions: 6 POS-managed; 5 DCFS staff-managed	Form CFS 415 or 431 must be maintained in the case file to provide for consent of ordinary and routine medical and dental care. This form is required to be updated annually.	DCFS Administrative Procedure #5
Twenty-two (44%) of 50 Initial Placement Checklists (CFS 418- J or 421) were not completed. Summary of exceptions: 13 POS-managed; 9 DCFS staff-managed	Form CFS 418-J or 421 must be maintained for all children placed in substitute care. The form documents any special needs of the child.	DCFS Policy Guide 2002.07
Fifteen (30%) of 50 required Permanency Planning Checklists (CFS 483) were not completed and maintained in the case files. Summary of exceptions: 5 POS-managed; 10 DCFS staff-managed	Form CFS 483 must be completed when determining the permanency goal for each child placed in substitute care for over one year.	DCFS Policy Guide 97.3
Three (6%) of 50 Placement & Payment Authorization Forms (CFS 906) were not maintained in the case files. Summary of exceptions: 1 POS-managed; 2 DCFS staff-managed	Form CFS 906 must be completed and maintained in the case file and should include information concerning the child’s placement status and other information critical to payment and approval documentation.	DCFS Administrative Procedure #5

<u>Case File Deficiency</u>	<u>Case File Requirement</u>	<u>Authority</u>
Twenty (40%) of 50 children's pictures were not maintained in the case files. Summary of exceptions: 14 POS-managed; 6 DCFS staff-managed	Each case file must include a current photograph of the child for whom care is being provided.	DCFS Procedure 301.150
Twenty-seven (54%) of 50 children's fingerprints: there was no record within SACWIS nor the case file indicating the date the fingerprints were obtained. Summary of exceptions: 15 POS-managed; 12 DCFS staff-managed	The date the fingerprint is obtained must be included in SACWIS.	DCFS Procedure 301.150, PT 2013.123
Forty-four (88%) of 50 Child Identification Forms (CFS 680) were not maintained in the case files. Summary of exceptions: 23 POS-managed; 21 DCFS staff-managed	Each case file must include a current Child Identification Form (CFS 680).	DCFS Procedure 301.150

The following graph depicts two of the case file deficiencies over the past seven years, and the percentage of items missing or untimely from the sample tested:



*Note: Testing was performed for the two-year period ending in the even-numbered year, and our samples for each period included file activity from both fiscal years.

Additionally, we utilized the administrative case reviews (ACR) from the same sample to test compliance with the Illinois Administrative Code (89 Ill Adm. Code 316.60) 21 day notification requirement. These fifty ACRs generated 425 notifications to all parties involved. 413 notifications (97%) were made 21 days in advance of the ACR date as required. Three (1%) were not sent for various reasons and nine (2%) were sent with less than 21 days notice. The Code (89 Ill Adm. Code 316.60) and DCFS Administrative Procedure #5 require written notification of the date, time, place and purpose of the ACR be mailed to all parties involved 21 days in advance of the ACR meeting. This represents significant improvement over the results of the prior finding.

The failure to follow established Department procedures, regulations and State law concerning the welfare of children could result in inadequate care, unauthorized services or misuse of State funds. (Finding Code No. 2014-002, 12-2, 10-2, 08-2, 07-1, 06-1, 05-3, 04-2, 03-1, 02-2, 00-10, 99-5, 98-6)

RECOMMENDATION

We recommend the Department continue in its efforts to develop ways to automate various recordkeeping functions and that the Department follows the procedures established concerning the welfare of children. The fulfillment of those procedures should be adequately documented.

DEPARTMENT RESPONSE

The Department agrees and will continue to stress the importance of adequate and timely documentation for those cases identified in the auditors' finding as well as for all child and family cases. The Department will also strive to continually update written procedures as changes and requirements in case practices are identified, approved and adopted. Communications to caseworkers and supervisors take place through announcement on the Department's intranet and email, through notes to automated case recordkeeping releases, trainings, and written Policy, Procedure, and Administrative Procedures. All Policy, Procedure and Administrative Procedure are available through the Department's intranet and web site.

The requirement for photos and fingerprints is for the purpose of notifying law enforcement with a recent photo, and for fingerprints to identify a deceased child. The Department had maintained the photos and fingerprints for children at all times; some were maintained in the paper record, some were in the SACWIS electronic file, and some were in both. At all times, the Department was able to produce the records if needed in support of why we keep them for identification purposes.

To address the deficiencies in the areas of Medical & Dental Consent forms, Family Assessment Factor Worksheets, Initial Placement Checklists, Permanency Planning Checklists, Placement & Payment Authorization Forms, the Department initiated a detailed review of the noted deficiencies. Once the cases were reviewed, a plan was put into place to obtain or complete the required documentation. Also, the Department has implemented quality assurance reviews in each region to see if all required documents get into case files. Regional managers have been given the responsibility to implement monitoring/review processes that will ensure that documents in case files are current. The status of this monitoring process is discussed in weekly meetings with Regional Administrators and quarterly meetings with all supervisors/managers.

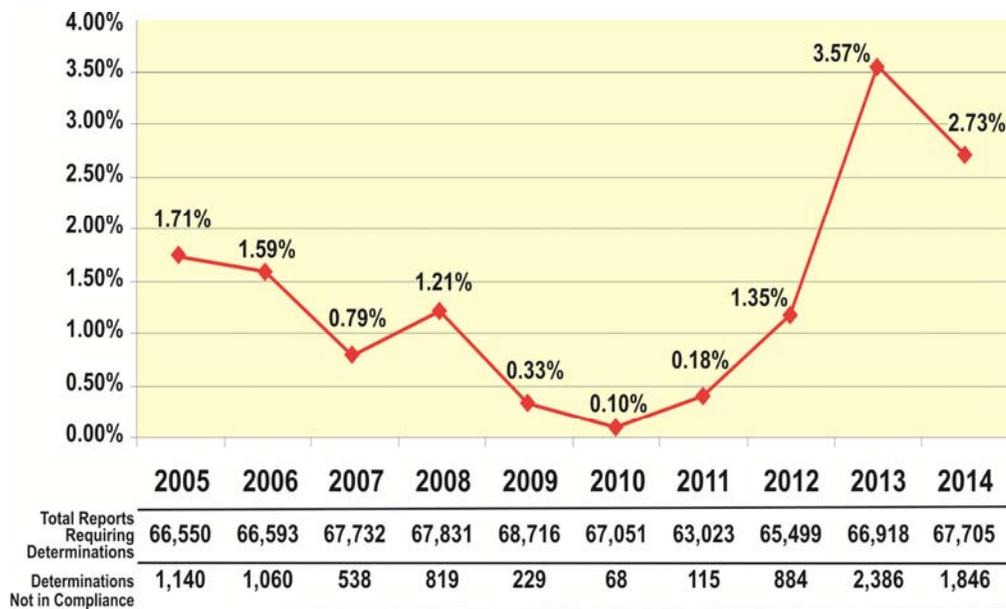
To address the issuance of notices regarding administrative case review hearings, the Department is reviewing the detail and identifying circumstances surrounding the timing. As the review progresses any changes to rule, procedure, or practice that may be needed will be initiated.

2014-003. **FINDING** (Child abuse and neglect determinations)

The Department of Children and Family Services (Department) did not make timely determinations, in 1,846 of the 67,705 (2.73%) and in 2,386 of the 66,918 (3.57%) reports of child abuse and neglect referred to the Department during fiscal years 2014 and 2013, respectively, of whether the reports were “indicated” or “unfounded” as required by the Abused and Neglected Child Reporting Act.

The Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.12) requires the Child Protective Service Unit to determine, within 60 days, whether a report is “unfounded” or “indicated.” It further provides the Department may extend for up to an additional 30 days the period in which individual cases are determined. Reasons for which the determination period may be extended include but are not limited to the following circumstances (89 Ill. Adm. Code 300.110): a) State’s attorneys or law enforcement officials have requested that the Department delay making a determination due to a pending criminal investigation; b) medical or autopsy reports needed to make a determination are still pending after the initial 60 day period; c) the report involves an out-of-state investigation and the delay is beyond the Department’s control; or d) multiple alleged perpetrators or victims are involved necessitating more time in gathering evidence and conducting interviews.

The Department’s Monitoring/Quality Assurance Division compiles statistics to track reports that are not determined to be either “unfounded” or “indicated” in compliance with the Act (within 60 days of receipt of the report, or within 90 days if a 30 day extension is permitted). Following is a summary of those statistics:



The Department stated that it recognizes the importance of making timely determinations in child abuse and neglect reports. However, it also recognizes the importance of completing a thorough investigation and working in conjunction with law enforcement agencies who may have concurrent investigations. Many reports go beyond the 60 day timeframe due to criminal or coroner investigations; their procedures require child abuse & neglect reports to remain in undetermined status until those agencies finalize their investigations. In addition, Department officials stated that the increase in noncompliance for fiscal years 2013 and 2014 was due to staffing issues in several areas of the State; staffing issues at the Department’s State Central Register which delayed timely processing of criminal background checks (LEADS) during fiscal years 2013 and 2014; implementation of a mandatory 20 day review period for reports involving DCFS wards to allow Guardian Ad Litem sufficient time to review investigations recommended as unfounded prior to completion of reports; and, that the Department set higher standards to ensure thorough investigations on reports involving young children or serious harm to include gathering of family history, medical records and mental health records.

Failure to make timely determinations of reports of abuse and neglect could delay the implementation of a service plan and result in further endangerment of the child, and is a violation of the Act. (Finding Code No. 2014-003, 12-3, 10-3, 08-3, 07-2, 06-2, 05-4, 04-5, 03-2, 02-3, 00-8, 99-11, 98-10)

RECOMMENDATION

We recommend the Department determine reports of child abuse or neglect in compliance with the time frame mandated by the Abused and Neglected Child Reporting Act.

DEPARTMENT RESPONSE

The Department will continue to make diligent efforts to improve on the 97.3% in order to reach the 100% compliance timeframe set forth in the Abused and Neglected Child Reporting Act (ANCRA) for making final determinations. During the FY2014 timeframe, the Department had analyzed the case specific data and the causes for the increase in untimely determinations and noted that a high number of cases reached day 61 or 62 before supervisory or managerial level approval was completed in SACWIS. 792 investigations were approved by a supervisor or Area Administrator on day 61 or 62 of the investigation.

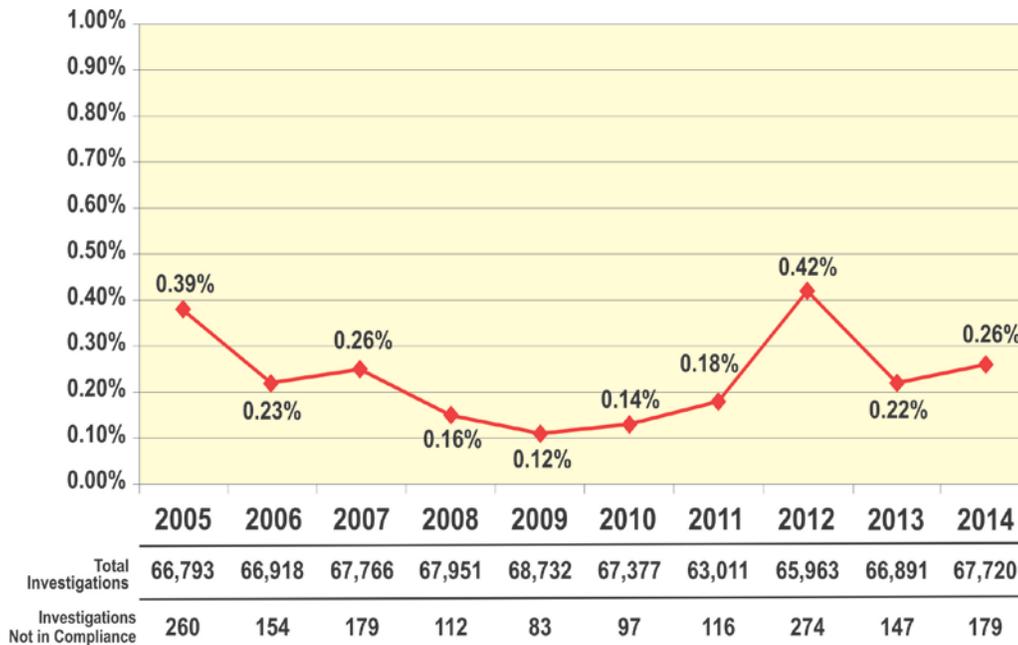
Child Protection management identified the problem before the end of FY14 and put steps in place to remedy these problems, and we continue to closely monitor overdue reports on a weekly basis. FY15 to date we have 142 overdue investigations statewide so the percentage should be much lower this fiscal year.

The Division of Child Protection is currently monitoring these cases weekly and developing action plans for identified issues while hiring and training additional investigative staff as needed to ensure our effort to help reduce delays and meet our 100% compliance timeframe.

2014-004. **FINDING** (Initiation of child abuse and neglect investigations)

The Department of Children and Family Services (Department) did not timely initiate an investigation for 179 of the 67,720 (0.26%) reports of child abuse and neglect in fiscal year 2014, and for 147 of the 66,891 (0.22%) of child abuse and neglect in fiscal year 2013.

The Abused and Neglected Child Reporting Act (Act) (325 ILCS 5/7.4(b)(2)) requires child abuse and neglect investigations “be commenced within 24 hours of receipt of the report.” The Department’s Monitoring/Quality Assurance Division compiles statistics and reports on instances of noncompliance with the Act, based on data extracted from the Department’s data warehouse and the Department’s Statewide Automated Child Welfare Information System (SACWIS). These reports are a summary of activity entered into SACWIS by the field offices. Department supervisors conduct weekly manual reviews of the reports of child abuse and neglect to monitor whether all investigations are initiated timely and in compliance with the Act. The Monitoring/Quality Assurance Division has compiled the following statistics:



According to Department personnel, noncompliance occurs when staff records the wrong initiation time and date (a data entry error of the initiation date and time), there is a computer system malfunction, or through worker performance errors.

Failure to respond to a report of abuse or neglect within 24 hours could result in further endangerment to the child and is a violation of the Act. (Finding Code No. 2014-004, 12-4, 10-4, 08-4, 07-3, 06-3, 05-5, 04-6, 03-3, 02-4, 00-7, 99-10, 98-9)

RECOMMENDATION

We recommend the Department continue to strive to initiate investigations of all child abuse and neglect reports within 24 hours of receiving the report as mandated by the Abused and Neglected Child Reporting Act.

DEPARTMENT RESPONSE

The Department will continue to make efforts to reach 100% compliance with the statute. It is always the Department's goal to initiate reports within 24 hours. The Department recognizes the importance of the 24 hour mandate on new reports of abuse/neglect as it relates to ensuring safety and well-being of children. After a significant increase in the missed 24 hour mandate percentage in FY2012, the Department committed to increasing the number of child protection staff statewide.

An agency reorganization in FY2013 led to increased child protection staff and a reduction in caseload sizes. This response contributed to the significant decrease in missed 24 hour mandates during FY2013 and FY2014, as noted above. The Department remains focused on ensuring child protection caseloads remain at a manageable level. Vacancies are filled quickly based on monthly reviews of workload volume to ensure adequate staff. Data entry/computer errors and individual worker performance errors contribute to the remaining non-compliance reports. Efforts are taken to correct data errors and to address performance issues as they occur. These efforts resulted in reducing the number of missed 24 hour mandates.

2014-005. **FINDING** (Noncompliance with Child Death Review Team Act)

The Department of Children and Family Services' (Department's) child death review teams did not complete required reviews of child deaths in accordance with timeframes established by the Child Death Review Team Act (Act) (20 ILCS 515/20).

The Department's child death review teams are mandated to conduct reviews of every child death for the following deceased children:

- a ward of the Department,
- the subject of an open service case maintained by the Department,
- a child who was the subject of an abuse or neglect investigation at any time during the 12 months preceding the child's death, and
- any other child whose death is reported to the State central register as a result of alleged child abuse or neglect which report is subsequently indicated.

In addition, the Children's Advocacy Center Act (55 ILCS 80/4(d)) provides that the child death review teams may at their discretion review other sudden, unexpected, or unexplained child deaths, and cases of serious or fatal injuries to a child identified under this Act.

During our examination period, the Department's quality assurance division indicated the child death review teams received death certificates for 195 mandated and 6 discretionary cases for fiscal year 2013 and 114 mandated and 2 discretionary cases for fiscal year 2014.

The purposes of the child death reviews are to: assist in determining the cause and manner of the child's death; evaluate means by which the death may have been prevented; report findings to the appropriate agencies and make recommendations that may help to reduce the number of child deaths caused by abuse or neglect; promote continuing education for professionals involved in investigating, treating, and preventing child abuse and neglect; and make specific recommendations to the Department's Director and Inspector General concerning the prevention of child deaths due to abuse or neglect and the establishment of protocols for investigating child deaths.

The Act requires that child death review teams perform reviews of child deaths not later than 90 days from the completion of the Department's investigation, or if no investigation, within 90 days after obtaining information necessary to complete the review. We noted the following with respect to the information recorded within the database developed by the Department to facilitate its coordination and monitoring of the child death review team activities.

- For mandated cases in which the review was complete and a date the investigation was closed was provided:
 - 80 of 118 (68%) reviews for fiscal year 2013 were not conducted within 90 days from the close of the investigation. On average, these reviews were conducted 182 days from that date.
 - 27 of 113 (24%) reviews for fiscal year 2014 were not conducted within 90 days from the close of the investigation. On average, these reviews were conducted 172 days from that date.
- For mandated cases in which the review was completed and there was not a date for investigation being closed (the date the letter informing the review team of the case was used as the date the teams obtained information necessary to complete the review):
 - 23 of 42 (55%) reviews for fiscal year 2013 were not conducted within 90 days from the date the letter was sent to the team. On average these reviews were conducted 165 days from that date.
 - 10 of 36 (28%) reviews for fiscal year 2014 were not conducted within 90 days from the date the letter was sent to the team. On average, these reviews were conducted 165 days from that date.

In our examination, we noted that the Act requires each of the Child Death Review Teams to meet quarterly and that all of the teams' meetings did occur. During our current examination period, some of the Child Death Review Teams met monthly when case load required.

Department personnel stated that due to the volume of cases received, not all were reviewed in the prescribed time requirements. Procedures have been changed to make Child Death Review Teams aware of the time limits and additional meetings were scheduled to try to meet the 90 day time frame.

Failure to comply with the Child Death Review Team Act diminishes the effectiveness of the purposes for which the child death review teams serve and also is noncompliance with duties mandated by law. (Finding Code No. 2014-005, 12-5, 10-5, 08-10)

RECOMMENDATION

We recommend the Department continue in its efforts to ensure child death reviews are conducted within the time period established by the Act.

DEPARTMENT RESPONSE

The Department agrees and it is continuing with its plan to improve compliance with the Act.

Previously, the Child Death Review Team (CDRT) Unit received child death information from the Illinois Department of Public Health (IDPH) via a disk, once a month. The disk contained child death information for the previous month. The disk was then reformatted so that we could use the information and then the information was manually entered into the database. The CDRT Unit in Springfield employed 1 full time and 1 part time employee to perform this duty. Every child death must be screened to determine if the death meets the criteria per the statute to be reviewed by a CDR Team. When a case was ready to be reviewed, the case would be sent to the DCFS Liaison to invite staff to the meeting. The cases that were sent were not prioritized to be reviewed by the 90 day deadline, but were picked randomly. This process contributed to the Child Death Review Teams inability to review child death cases within the 90 day time frame.

Beginning in September 2013 process changes began to result in improvements. Child death information from IDPH is now imported into the database therefore no longer requiring that the information be entered manually. The Department is current on entering deaths received from the Illinois Department of Public Health and current on SACWIS checks. Each death reported must have a SACWIS check completed which requires staff to review each one to determine if it meets the CDRT mandate for review and pick discretionary cases. In addition, child death cases are now sent to the DCFS Liaison with a specific date by which the case must be reviewed. The Child Death Review Teams meet even if there is only one case to review to meet the 90 day deadline. Recently, there have been fewer cases that meet the statutory mandate for review by the Child Death Review Teams which should result in an improvement with meeting the mandate. These changes should have a significant impact on our ability to meet the 90 day deadline.

2014-006. **FINDING** (Noncompliance with State Services Assurance Act for FY2008)

The Department of Children and Family Services (Department) did not increase and maintain the number of bilingual staff as required by the State Services Assurance Act for FY2008.

The State Services Assurance Act for FY2008 (Act) (5 ILCS 382/3-15) required that on or before July 1, 2008 the Department shall increase the number of bilingual on-board frontline staff by 40 over the levels that it maintained on June 30, 2007. The Act also requires the Department to maintain its bilingual staff at the increased level.

At June 30, 2007, the Department had 154 bilingual frontline staff. Therefore, it is required by the Act to maintain a bilingual staffing level of 194. However, the Department's number of bilingual staff on March 31, 2014 was 142.

Department officials stated that the number of children in care has dramatically decreased over the years, which has resulted in a reduction in the total number of Department staff as well as staff needed to manage case loads. In addition, Department officials stated that turnover and budget constraints have made it difficult to increase bilingual staff.

Because the Department has not increased and maintained its level of bilingual staff, it is in noncompliance with the State Services Assurance Act for FY2008. (Finding Code No. 2014-006, 12-16, 10-12)

RECOMMENDATION

We recommend the Department comply with the State Services Assurance Act for FY2008 or, alternatively, if determined that the bilingual staffing level required by the Act is not representative of its needs, seek a legislative remedy to the statutory requirement.

DEPARTMENT RESPONSE

The Department accepts the finding. Considering the reduction in the number of children in care and the reduction in total number of staff, the Department has and continues to maintain the Interpretative Services necessary which is available to all direct service workers. The Department works to maintain staffing levels to meet the needs to manage caseload and believes the statute could be changed. The Burgos Consent Decree of 1977, a federal mandate, requires the Department of Children and Family Services to provide services in Spanish to Spanish speakers and those requesting services in Spanish. The consent Decree legally covers only the Cook and Aurora regions but its principles are applied statewide.

The Burgos Consent Decree requires that DCFS and all of its vendors comply in providing services in Spanish to Spanish speakers. The Decree requires that all direct service staff as well as their supervisors take their Burgos training annually. It requires that DCFS offices that service Spanish-speaking families be staffed with Spanish speaking direct service workers. The Office of Latino Services (OLS), under the Office of Affirmative Action, is charged with implementing the policies and procedures associated with Latino Services and issues for the Department of Children and Family Services. Moreover, it coordinates with private agencies that have contracts with DCFS, oversees translations and interpretations between Spanish and English while communicating with Spanish speaking clients and individuals, develops strategies for recruitment of Spanish bilingual foster parents, provides oversight in retention and recruitment of Hispanic/bilingual applicants for positions in DCFS, and helps DCFS monitor compliance of the Burgos Consent Decree.

The Department is not disregarding the State Services Assurance Act for FY2008. The Department has made efforts to meet this mandate and will continue to do so, while addressing the needs of all the clients it serves and will continue to fill as many bilingual positions as possible considering current budget restrictions, intake caseloads, and number of non-English clients served. DCFS will continue to maintain translation services, continue its recruitment efforts targeted to bilingual vacancies, and continue programs such as career development, self-development and training programs targeted to its bilingual employees.

2014-007. **FINDING** (Inadequate compliance with the Fiscal Control and Internal Auditing Act)

The Department of Children and Family Services (Department) did not fully comply with the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003).

The Department's Office of Internal Audits (OIA) did not complete audits of all the Department's major systems of internal accounting and administrative control at least once during the two fiscal years of our compliance examination, as required by the Act. Based on the internal audits completed during fiscal years 2013 and 2014, auditors determined there was no internal audit coverage in the areas of revenues, receivables and cash. There was also inadequate coverage in the areas of personnel and payroll; property, equipment and inventories; locally held funds; and electronic data processing.

The OIA also did not perform reviews of new electronic data processing systems or major modifications of existing systems before their installation for the Statewide Automated Child Welfare Information System (SACWIS) 5.0 Release and Day Care System Rewrite.

The OIA was reestablished at the Department effective July 1, 2010 by Public Act 096-0795. At June 30, 2014, the Department's OIA consisted of the Acting Chief Internal Auditor and 1 staff member, with only the Acting Chief possessing information systems experience. The number of staff members and the limited information systems expertise does not appear adequate to ensure appropriate internal audit coverage.

The following table, which is summarized from the OIA fiscal year 2013 and 2014 annual reports, illustrates the OIA efforts during the examination period compared to the internal audit plans for the respective fiscal years.

	Fiscal Year 2013		Fiscal Year 2014	
	Number	%	Number	%
Audits completed	4	24%	6	40%
Audits postponed	6	35%	4	27%
Audits canceled	5	29%	1	6%
Other activities completed	2	12%	4	27%
Total audits planned	17	100%	15	100%

As shown in the table above, the Department postponed or canceled 16 of the 32 (50%) planned audits during fiscal years 2013 and 2014 combined. Examples of audits postponed or canceled include regional and field offices, child care institutes and group homes, SACWIS and day care systems updates, and subrecipient and quarterly contract monitoring.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003) requires the internal auditing program include audits of major systems of internal accounting and administrative control on a periodic basis so that all major systems are reviewed at least once every two years. In addition, the Act requires the internal auditing program to include reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Department officials stated that audit fieldwork was completed for most of the major systems prior to fiscal year end; however, staff shortages and the setting of priorities did not allow all audit reports to be issued within the required timeframe, and attempts to recruit qualified internal auditors have not been successful.

Incomplete auditing of all major systems of internal accounting and administrative control increases the risk that significant internal control weaknesses will exist and errors and irregularities may go undetected. Further, lack of independent reviews of major new computer systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. (Finding Code No. 2014-007)

RECOMMENDATION:

We recommend the Department ensure audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Act, and ensure reviews of new system developments and major modifications to existing systems are performed.

DEPARTMENT RESPONSE:

The Department concurs. The Office of Internal Audits has revamped its efforts to hire qualified internal auditors and has updated procedures to formally communicate audit results prior to fieldwork completion, which will allow for uninterrupted issuance of audit reports to ensure adequate coverage of all major systems of internal accounting and administrative controls every two years as required by FCIAA.

2014-008. **FINDING** (Untimely approval of contracts)

The Department of Children and Family Services (Department) did not obtain signed contracts from all vendors prior to commencement of services.

During our review of a sample of 60 contracts, totaling \$48.7 million, we noted that 30 contracts (50%) were signed by the providers and vendors from 1 to 141 days after the effective start date. Consequently, services were performed prior to final execution of these contracts.

As noted in the Department's Code of Regulations (89 Ill. Adm. Code 357.110), "purchase of service providers under contract to the Department must comply with Federal and State laws and regulations and Department rules. When the provider signs the purchase of service contract, this signature shall be the provider's certification of compliance with the applicable laws, regulations, and rules." It is prudent business practice to require contracts to be signed prior to the commencement of services. In addition, the standard contracts utilized by the Department in procuring these services include the following terms: 1) Section 3.1.2: Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract and 2) Section 4.1.4: Pre-Contract Costs: The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.

Department personnel stated that they have reviewed procedures and developed contract language in order to comply with applicable rules, and that changes have been made to procedures for processing contracts to enable timely service delivery dates. However, the Department stated that due to delays in budget negotiations regarding appropriations, the Department did not send out the contracts to the Providers until the end of June of 2013, making it difficult to obtain signed contracts prior to effective start dates.

Failure to obtain signed contracts before the beginning of the contract period does not bind the contractor to comply with applicable laws, regulations, and rules and may result in improper and unauthorized payments. (Finding Code. No. 2014-008, 12-9, 10-6, 08-6, 07-5, 06-5, 05-7, 04-7, 03-5, 02-7)

RECOMMENDATION

We recommend the Department ensure all contracts are approved and signed before the beginning of the contract period.

DEPARTMENT RESPONSE

The Department agrees that contracts should be approved and signed before the beginning of the contract period. However, Purchase of Care contracts are specifically exempted from the Procurement Code as there is often a need to provide services ahead of the completion of the paperwork. The standard language on these Purchase of Care contracts should be changed so the prohibitions on starting work prior to having a signed contract eliminated.

The Department has increased staff in the Office of Contract Administration and changed procedures to speed the issuance of contracts. Performance for FY15 was better than for FY14 and FY16 should be even better.

2014-009. **FINDING** (Lack of documentation of monitoring contracts)

The Department of Children and Family Services (Department) did not adequately document monitoring of provider agencies for compliance with contract terms.

The Department could not provide documentation demonstrating monitoring had occurred as specified in the contracts for 2 of 30 (7%) contracts totaling approximately \$2 million tested from the award and grant appropriations. Also, Department staff had difficulty accessing and providing documentation of monitoring activity and results when requested by the auditors. Monitoring reports were originally requested on July 31, 2014, and the auditors were still receiving requested information in November of 2014. Documentation of monitoring for one of the tested contracts was not received until February 18, 2015, approximately 6 ½ months after the initial request.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State Agencies to establish and maintain internal controls to ensure State resources are used efficiently and are safeguarded against loss. All of the contracts tested contained contract language requiring fiscal and program monitoring by the Department. The Department's performance of the monitoring should result in and be documented by the Department utilizing a monitoring report with corrective action plans when necessary. At a minimum, the Department should conduct on-site monitoring reviews of providers' services and performance, including reviews of all documentation maintained which support charges billed.

The Department stated for one of the contracts, they conducted a mandatory monitoring visit but did not complete the monitoring survey report due to the oversight of a new employee. The Department stated that the lack of monitoring and documentation for the other contract was due to oversight as well.

Failure to monitor performance of contracted services could lead to overpayments and payments for services not performed in accordance with contract terms and requirements. Thorough fiscal and administrative monitoring, including reviews of provider billing support and documenting that service delivery is in accordance with program plans and performance goals is an essential oversight responsibility of the Department. (Finding Code No. 2014-009, 12-7)

RECOMMENDATION

We recommend the Department perform and document adequate monitoring on all contracts to ensure contract payments are for services received and that program plans and performance goals are achieved.

DEPARTMENT RESPONSE

The Department agrees that monitoring needs to be improved and changed. Going forward:

1. We will move to a risk based model where the likelihood of harm and extent of harm will be used to adjust the level and frequency of monitoring.
2. If staffing shortfalls require reduced monitoring, we will reduce the monitoring based on risk levels.
3. Training in monitoring has been strengthened this year and will be reviewed for effectiveness.
4. Documentation of monitoring activity will be reviewed bi-weekly.

2014-010. **FINDING** (Contracts lack required subcontractor agreements)

The Department of Children and Family Services (Department) did not obtain all contractually required information related to subcontractors.

During our testing of contractual services and award and grant contract agreements, we noted 3 out of 60 (5%) contracts did not contain the required subcontractor agreements or related subcontractor standard certifications accompanied by financial disclosures and conflict of interest forms. These contracts accounted for \$2.5 million of our total contracts tested of \$80 million (3%).

In accordance with the terms of the contracts as well as with requirements of the Illinois Procurement Code (35 ILCS 500/35-40 (c)), each subcontractor shall complete a Subcontract Agreement and Standard Certifications (Form CFS 968-10) accompanied by Financial Disclosures and Conflicts of Interest sworn certification. Subcontractors must make the same certifications that the vendor must make as a condition of the contract regardless of the amount of their subcontract.

The Department indicated the missing information was due to management oversight as a result of staff shortages.

Failure to obtain contractually required information related to subcontractors prevents the Department from identifying potential conflicts of interest and possible financial improprieties prior to entering into a contractual relationship with the entity. (Finding Code No. 2014-010)

RECOMMENDATION

We recommend the Department include the Subcontract Agreement and Standard Certifications as well as the Financial Disclosures and Conflicts of Interest sworn certification with the contracts.

DEPARTMENT RESPONSE

Accepted. The Department has changed its procedures for FY15 so that disclosures and conflicts of interest can be discovered earlier in the contracting process. We have also added staff to reduce the chance of error.

There is an ongoing logistical problem as while we can obtain disclosures in advance of contracting for the prime vendors, we cannot do this for subcontractors. This forces us to review disclosures on subcontractors after the prime contract is in place.

The Department is going to adopt the Comptroller's guidelines on Financial Disclosures and Conflicts of Interest. The Comptroller exempts contracts under \$50,000 from those disclosures and the Department will apply those limits to both contracts and subcontracts.

2014-011. **FINDING** (Inadequate property control procedures)

The Department of Children and Family Services' (Department) procedures over property control were not adequate.

In our prior examination, we noted inconsistencies and a lack of adequate procedures over the Department's property control. Although we noted improvement over the property control area, during the current examination we found the following:

- The Comptroller maintains within the Statewide Accounting Management System (SAMS) expenditure records of purchases of various equipment inventory additions. The Department did not reconcile additions to its internal property inventory listing to the Comptroller's record of purchases.
- The Department is required to file a quarterly Agency Report of State Property (C-15) with the Comptroller. SAMS (Procedure 29.20.10) describes the instructions related to the completion of the C-15. Following are some of the more significant instances noted in which the Department did not complete the C-15 correctly:
 - Transfers from the Capital Development Board (CDB) were not properly accounted for on the C-15. As a result, amounts reported as deletions in the Department's fiscal year 2014 second quarter C-15 were overstated by \$943,127. Consequently, the Department also incorrectly reported its additions on its fiscal year 2014 third quarter C-15 by that same amount.
 - The Department did not utilize the most current C-15 form required by the Comptroller. The instructions for the form state the Department should separately identify addition amounts related to prior years' acquisitions. We noted in the Department's fiscal year 2014 first quarter C-15 that there were items totaling \$119,037 reported as additions that were not identified as purchased in a prior year, as required by the instructions for the C-15. We also noted other similar instances of items not added to the Department's property inventory listing or the C-15 in the proper period.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department personnel stated that they were unaware that the Comptroller's SA02 report was accessible and available for use in reconciling its property records. Also, lack of communication within Department units impeded performance of adequate reconciliations as well as timely recording of activity within property inventory records.

Failure to properly reconcile and report property and equipment in a timely fashion could result in misappropriation of assets as well as misreporting to the Comptroller. (Finding Code No. 2014-011, 12-8, 10-7)

RECOMMENDATION

We recommend the Department continue in its effort to review and implement new procedures over property control to include:

- Reconciliations should be prepared in a timely manner to detect errors. Reconciliations that should be prepared include:
 - Expenditures per the Comptroller records should be reconciled to the purchases listing maintained by the Department.
 - Expenditures per the Comptroller records should be reconciled to the C-15 additions.
- Items should be entered into property records when the item is received and the voucher is released for payment, and these items should be reported on the C-15 for the quarter they were added as equipment inventory. Consistent treatment should be used for all equipment.
- Personnel responsible for completion and review of the quarterly C-15s should be trained and familiar with the requirements set forth in SAMS for the completion thereof.

DEPARTMENT RESPONSE

The Department agrees with the recommendation. The Department will review and continue to enhance, as necessary, its current system of gathering property and equipment asset information to improve the accuracy and timeliness of posting transactions to its property control records and devote necessary personnel to these tasks. The Department is evaluating its software that allows for permissions for regional Business Managers to record equipment moves timely (on the same day of the move). And, specific requests and instruction have been issued to require more timely identification of additions. It is noted that no reports of misappropriation of assets or lost equipment inventory items was identified in the finding. The Department regularly performs reconciliations of property inventory and expects to have the reconciliations completed more timely and be in better form for auditors to review in the future.

2014-012. **FINDING** (Federal reimbursements not requested timely)

The Department of Children and Family Services (Department) did not request reimbursement of a federally supported program in a timely manner.

Although the Department made significant improvement regarding the drawdown of federal funds since the previous examination, we noted that the \$9.1 million receivable at the end of fiscal year 2014 was 87% of the year's total reimbursable costs incurred of \$10.5 million for the Guardianship Assistance program. The large receivable balance at year end in relation to the total reimbursable costs incurred by the Department indicated that requests for federal reimbursement were not made timely. In fact, we also noted that there was only one draw made during the fiscal year for this program.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) states that it is the responsibility of each State agency to timely collect amounts owed to that agency. Good cash management practices require that monies owed to the State are requested in a timely manner.

According to Department personnel, in their effort to address the finding related to this matter from the prior examination, they focused first on the programs with larger receivable balances related to earned dollars. In addition, Department personnel stated that their focus has also been to draw down those funds as needed for monthly cash needs for all payments out of the Child Services Fund (220).

Delays in collecting monies owed to the Department deprive the State of available cash resources with which to administer operations and programs. (Finding Code No. 2014-012, 12-10)

RECOMMENDATION

We recommend the Department comply with the Illinois State Collection Act of 1986 by requesting federal reimbursements more timely.

DEPARTMENT RESPONSE

The Department agrees that reimbursement requests should be made timely. We plan to continue requesting reimbursement for programs monthly for each quarter where it is most efficient. A final request can be made with the fourth quarter's claims.

2014-013. **FINDING** (Noncompliance with the Children and Family Services Act)

The Department of Children and Family Services (Department) did not demonstrate compliance with the Children and Family Services Act requirements concerning sibling adoptions and contact.

Effective August 24, 2012, the Children and Family Services Act (Act) (20 ILCS 505/7.4) was amended to expand requirements of the Department concerning sibling relationships, placement and contact. The Department did not promulgate rules addressing the development and preservation of sibling relationships by January 1, 2013, as required by the amended Act. On July 30, 2014, subsequent to our examination period for the two fiscal years ended June 30, 2014, the Department formalized and distributed to staff internal procedures in connection with the expanded requirements of the Act. However, the Department had not yet submitted the procedures to the Joint Committee on Administrative Rules (JCAR) for rulemaking.

Accordingly, for fiscal years 2013 and 2014:

- The Department was unable to provide documentation that it had, in cases where a sibling of a child has been adopted, made an effort to locate the adoptive parents or guardians of the sibling and inform them of the availability of the child for adoption.

The amended Act requires that the Department shall make a good-faith effort to locate the adoptive parents or guardians of the sibling and inform them of the availability of the child for adoption. (20 ILCS 505/7.4(h))

- The Department was unable, in cases where it has determined that it is not in the child's best interest to be placed with a sibling's adoptive parents, to provide documentation of the reasons for this determination.

The amended Act requires that in instances in which the Department determines it in the best interest of the child not to inform the adoptive parents or guardians of a sibling that the child is available for adoption that such reasons should be documented in the child's case file. (20 ILCS 505/7.4(h))

- The Department did not begin conducting meetings to develop Post Permanency Sibling Contact Agreements until after fiscal year 2014.

The amended Act requires when a child in the Department's care has a permanency goal of adoption or private guardianship, and the Department is preparing to finalize the adoption or guardianship, the Department shall convene a meeting with the pre-adoptive parent or prospective guardian and the case manager for the child being adopted or placed in guardianship and the foster parents and case managers for the child's siblings and others as applicable. At the meeting Department shall encourage the parties to discuss sibling contact post permanency. (20 ILCS 505/7.4(i))

In addition, the amended Act required the Department to develop a registry so that placement information regarding adopted siblings and siblings in private guardianship is readily available to Department and private agency caseworkers responsible for placing children in the Department's care. (20 ILCS 505/7.4 (g)) The Department modified its Statewide Automated Child Information System (SACWIS) program to facilitate this information being available to Department and private agency caseworkers. However, implementation of the software changes was not done until March 29, 2014, and the related training and orientation to staff concerning these changes did not occur during our examination period. Also, as noted above, internal procedures related to this and other requirements of the amended Act were not formalized and distributed to staff until July 30, 2014.

Department personnel stated that while they did not implement formal use of the Post Permanency Sibling Contact Agreement until July 30, 2014, the Department did practice child wellbeing through sibling placement whenever possible and appropriate in terms of the best interest of all siblings as outlined in Procedures 301.70 prior to June 30, 2014. Although the Post Permanency Sibling Contact Agreement form was not in place prior to July 30, 2014, the Department used case notes to document the sibling placement consideration in the adoptive home of a sibling.

Failure to perform and maintain documentation with respect to the above referenced provisions of the Children and Family Services Act could result in outcomes that are not in the best interest of the affected children and represents noncompliance with the Act. (Finding Code No. 2014-013)

RECOMMENDATION

We recommend that the Department document efforts to notify a sibling's adoptive parents of a child's availability for adoption in order to help maintain sibling relationships. In cases where the Department has determined it is not in the child's best interest to be placed with a sibling's adoptive parents, we recommend the Department document the reason for this determination in the case file. Furthermore, the Department should conduct and document meetings with pre-adoptive parents or prospective guardians as applicable to facilitate discussion of sibling contact post permanency as required by the amended Act. Furthermore, the Department should continue its effort to promulgate rules concerning sibling relationships, placement and contact as required by the amended Act.

DEPARTMENT RESPONSE

The Department agrees that it should document its efforts to notify sibling adoptive parents as required by the amended Act. Although the Post Permanency Sibling Contact Agreement form was not in place prior to June 30, 2014, the Department used case notes to document of sibling placement consideration in the adoptive home of a sibling and, after the end of field work, has made available to the auditor redacted scanned case notes that includes the decision among worker and supervisor, clinical consultation and eventual placement of the sibling in the adoptive home. These examples illustrate a pattern of considering the importance of sibling placement prior to July 30, 2014. The Department also has copies of case notes examples where the placement was declined by the adoptive parent. As stated in the finding, although rules were not issued by January 1, 2013, as required, the formal use of the Post Permanency Sibling Contact Agreement that began July 30, 2014, further demonstrates the Department's efforts to provide the notification required by the Act.

2014-014. **FINDING** (Noncompliance with the Juvenile Court Act of 1987)

The Department of Children and Family Services (Department) is in noncompliance with the Juvenile Court Act of 1987 (Act).

In cases where the Department's Guardianship Administrator was appointed executive temporary custodian the Department did not file sibling placement and contact plans with the court within 10 days, excluding weekends and holidays, after the appointment as executive temporary custodian. The Department was in the process of developing a proposed Rule to implement a procedure providing for compliance with the Act, however this was not completed during our testing period.

The Juvenile Court Act of 1987 (705 ILCS 405/2-10(2)) requires the Department to file with the court and serve on the parties a sibling placement and contact plan within 10 days, excluding weekends and holidays, after the appointment when the Department of Children and Family Services Guardianship Administrator is appointed as the executive temporary custodian, and when the child has siblings in care."

Department personnel stated that this provision of the Act became effective January 2013 and that the Department implemented procedures on July 30, 2014 which include the required filing of the 10-day sibling visitation and contact plan. Prior to July 30, 2014, in accordance with Rule 301.220(f) and the Aristotle P. consent decree, the Department required a court filing of the sibling visitation plan specifying the frequency of sibling visits, within 30 days after award of temporary custody of the siblings. The sibling visitation plan was included in the children's case plans.

The Juvenile Courts oversee these cases and, by not submitting these plans timely, the Department prevents the courts from fully gathering information on the current condition and future welfare of children in the State's custody. (Finding Code No. 2014-014)

RECOMMENDATION

We recommend the Department implement procedures and promulgate rules as necessary to ensure timely compliance with the provisions of the Juvenile Court Act of 1987.

DEPARTMENT RESPONSE

The Department accepts the finding however it should be noted that the Act became effective January 2013. The Department implemented procedures on July 30, 2014 which includes the required filing of the 10-day sibling visitation and contact plan. Prior to July 30, 2014, and in accordance with Rule 301.220 (f) and the Aristotle P. consent decree, the Department required a court filing of the sibling visitation plan specifying the frequency of sibling visits, within 30 days after award of temporary custody of the siblings. The sibling visitation plan was included in the children's case plans. During the period from effective date, January 2013, to July 30, 2014, the Department was actively working on rules and procedures in support of the sibling contact law and implemented on July 30, 2014 as noted.

2014-015. **FINDING** (Employee performance evaluations not performed)

The Department of Children and Family Services (Department) did not complete annual performance evaluations on a timely basis.

Upon review of 30 personnel files for each fiscal year, we determined 9 of 30 (30%) employees did not receive evaluations in fiscal year 2013, and 6 of 30 (20%) employees did not receive evaluations in fiscal year 2014.

Personnel rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270) require performance records to include an evaluation of employee performance prepared by each agency not less than annually. Annual evaluations support administrative personnel decisions by documenting regular performance measures.

In response to this finding from the prior year, the Department stated that it would work towards improving its efforts to meet the requirements of the Illinois Administrative Code related to evaluations.

Department personnel stated that supervisors do not complete evaluations timely due to other priorities since evaluations are not tied to salary increases.

Employee performance evaluations are an effective management tool for helping employees work toward common goals. Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. They should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, and recall and reinstatement decisions. (Finding Code No. 2014-015, 12-11, 10-11, 08-15)

RECOMMENDATION

We recommend the Department enforce the existing policies regarding timely completion of performance appraisals and ensure evaluations are properly documented and maintained in employee personnel files.

DEPARTMENT RESPONSE

The Department agrees that evaluations should be performed timely and acknowledges that timely annual evaluations for all certified employees are necessary. Management will work towards improving its efforts to meet the requirements of the Illinois Administrative Code related to evaluations.

The Department has implemented a tickler system that notifies the appropriate supervisor/manager when an evaluation will soon be due and when it is overdue. In addition, submitting timely evaluations is considered a performance objective for all supervisors and managers. Compliance with this objective is tracked and monitored as failure to do so is an indication of poor management and should be reflected in supervisor and manager performance evaluations.

2014-016. **FINDING** (Accident reports not filed timely)

The Department of Children and Family Services (Department) did not submit vehicle accident reports timely.

During the examination period, Department employees were involved in 20 accidents while on official State business. We reviewed all of the reports and determined that 6 reports (30%) were not filed with the Department of Central Management Services (DCMS) within 7 days. The reports ranged from 5 to 13 days late. A report for 1 of the accidents, which occurred in December 2012, had not been filed with DCMS as of the date of our testing, November 2014.

The State of Illinois Vehicle Guide requires all accidents to be reported to the Department of Central Management Services within seven calendar days after the accident.

In response to this finding in the prior year, the Department stated that they had rewritten its instructions to employees to make it clearer that the employees must return completed reports to the vehicle coordinator within seven days of the accident. An additional procedure was implemented which required that the vehicle coordinator provide copies to employees' supervisors on all correspondence regarding the accident. We noted that the number of reports not filed timely decreased from the prior examination period. However, Department officials stated some employees are still not following the instructions and filing their reports in a timely manner.

Untimely submission of accident reports could delay an investigation, impair the State's ability to defend itself against claims, or delay settlement of claims made against the State. (Finding Code No. 2014-016, 12-15)

RECOMMENDATION

We recommend the Department continue in its efforts to ensure employees' accident reports are submitted to DCMS within the seven calendar day requirement.

DEPARTMENT RESPONSE

The Department agrees. Beginning January 27, 2014, the procedure was changed so that notices to employees now state that completed forms need to be returned within 7 days of the accident, and failing to do so may result in the loss of coverage by the State of Illinois self insurance plan and the forfeiture of indemnity against lawsuit. Supervisors are now copied on correspondence regarding accident reporting forms.

2014-017. **FINDING** (Noncompliance with the Abused and Neglected Child Reporting Act)

The Department of Children and Family Services (Department) did not timely submit an annual report and did not enter into an inter-agency agreement with the Secretary of State as required by the Abused and Neglected Child Reporting Act (Act).

The Department did not timely submit an annual report to the General Assembly or Governor documenting the case management protocols and the program's effectiveness for fiscal year 2013. The fiscal year 2013 report was submitted in September 2014 along with the fiscal year 2014 report. Also, the Department did not enter into an inter-agency agreement with the Office of the Secretary of State as required by the Act.

The Abused and Neglected Child Reporting Act (325 ILCS 5/7.3c) requires the Department, with the Department of Human Services, to develop a community based system of integrated child welfare and substance abuse services for the purpose of providing safety and protection for children, improving adult health and parenting outcomes, and improving family outcomes. The Department, in cooperation with the Department of Human Services, shall develop case management protocols for Department clients with substance abuse problems and shall evaluate the effectiveness of these pilot programs and report to the Governor and the General Assembly on an annual basis. The Act (325 ILCS 5/7.20) also requires the Department to enter into an inter-agency agreement with the Secretary of State to establish a procedure by which employees of the Department may have immediate access to driver's license records maintained by the Secretary of State if the Department determines the information is necessary to perform its duties under the Abused and Neglected Child Reporting Act, the Child Care Act of 1969, and the Children and Family Services Act.

The Department stated the noncompliance with the Act's requirement to submit an annual report in 2013 was a result of other priorities of responsible personnel. Also, with respect to the Act's requirement that the Department enter into an interagency agreement with the Office of the Secretary of State (Office), Department officials stated they contacted the Office to initiate an interagency agreement, but an agreement was not formalized as of the end of our testing period.

Compliance with this Act is vital to protecting the health, safety, and best interest of the child in all situations in which the child is vulnerable to child abuse or neglect. (Finding Code No. 2014-017, 12-13)

RECOMMENDATION

We recommend the Department timely submit annual reports on the effectiveness of the community based system of integrated child welfare and substance abuse services as required by the Abused and Neglected Child Reporting Act. We also recommend the Department continue its efforts to formalize an inter-agency agreement with the Office of the Secretary of State in accordance with the Act.

DEPARTMENT RESPONSE

The Department agrees. As stated in the finding, the FY13 report was submitted with the FY14 report. The DCFS Legislative Office will schedule and send notifications to the unit that prepares the required reports prior to their due dates. This should improve future compliance rates. Also, the Department has signed the intergovernmental agreement with the Secretary of State and is awaiting the signatures by the Secretary of State for the fully executed agreement.

PRIOR FINDINGS NOT REPEATED

A. FINDING (Inconsistent identification procedures)

Department practice and written procedures were inconsistent for maintaining identification information of children for whom the Department was responsible.

Our testing results indicated that in October 2013, the Department updated its Procedure 301.150 concerning documentation of fingerprints and photographs of children for whom the Department is responsible. (Finding Code No. 12-6)

B. FINDING (Failure to comply with the Identity Protection Act)

The Illinois Department of Children and Family Services (Department) failed to implement the provisions of the Identity Protection Act (Act).

Our testing results indicated that on October 21, 2013, the Department established an Identity Protection Policy in accordance with the provisions of the Act. (Finding Code No. 12-12)

C. FINDING (Noncompliance with the Afterschool Youth Development Project Act)

The Department's representative did not serve on the Illinois Youth Development Council (Council), as required by the Afterschool Youth Development Project Act (Act).

Our testing results indicated the Department appointed the Director to serve on the Illinois Youth Development Council; however, the Council was inactive and held no meetings during fiscal years 2013 and 2014. As a result, the prior finding is not repeated. (Finding Code No. 12-14)

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2014

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Children and Family Services was performed by Sikich LLP.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings listed in the table of contents as finding 2014-001, lack of financial reporting review procedures.

EXIT CONFERENCE

The finding and recommendation appearing in this report were discussed with Department personnel at an exit conference on December 15, 2014.

Attending were:

Department Personnel: Acting Director, Bobbie Gregg
Chief Fiscal Officer, Matthew Grady, III
Financial Management, SPSA, Patrick Dominguez

Office of the Auditor General: Elvin Lay, Audit Manager

Special Assistant Auditors from Sikich LLP: Tom Leach, Partner
Ann Bova, Supervisor

The response to the recommendation was provided by Matthew Grady, III in a letter dated December 18, 2014.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Children and Family Services, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information for the State of Illinois, Department of Children and Family Services, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Department of Children and Family Services are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Children and Family Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2, the State of Illinois, Department of Children and Family Services adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported As Assets and Liabilities* during the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Children and Family Services' basic financial statements. The accompanying supplementary information in the combining non-major, fiduciary and the agency fund financial statements, the State Compliance Schedules 1 through 10, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2014, in the combining non-major, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 are the responsibility of management and were derived from and relate directly to the

underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2014 in the combining non-major, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014 in the combining non-major, fiduciary and the agency fund financial statements and the State Compliance Schedules 1 and 3 through 10 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Department of Children and Family Services' basic financial statements for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated March 26, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 3, 5, 7 and 8 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 3, 5, 7 and 8 has been subjected to the auditing procedures applied in the audit of the June 30, 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in Schedules 3, 5, 7 and 8 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2013 in the State Compliance Schedules 2 through 10 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the State of Illinois, Department of Children and Family Services' internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Children and Family Services' internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

Sikich LLP

Decatur, Illinois

January 15, 2015, except for the June 30, 2014 information contained in State Compliance Schedules 1 and 3 through 10, as to which the date is March 3, 2015.

**State of Illinois
Department of Children and Family Services**

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2014 (Expressed in Thousands)

	General Fund 0001	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	\$ 38,039	\$ -	\$ 38,039	\$ -	\$ 38,039
Cash equity with State Treasurer	-	32,352	32,352	-	32,352
Cash and cash equivalents	1,083	383	1,466	-	1,466
Securities obligations	-	62	62	-	62
Due from other government - federal	-	195,985	195,985	-	195,985
Other receivables, net	1,170	-	1,170	-	1,170
Due from other Department funds	-	1	1	(1)	-
Due from other State funds	-	353	353	-	353
Prepaid expenses	-	-	-	116	116
Capital assets being depreciated, net	-	-	-	1,633	1,633
Total assets	\$ 40,292	\$ 229,136	\$ 269,428	1,748	271,176
LIABILITIES					
Accounts payable and accrued liabilities	\$ 24,576	\$ 69,578	\$ 94,154	-	\$ 94,154
Intergovernmental payables	151	452	603	-	603
Due to other Department funds	1	-	1	(1)	-
Due to other State funds	7,611	295	7,906	-	7,906
Due to State of Illinois component units	6,467	5,197	11,664	-	11,664
Obligations under Securities Lending of State Treasurer	-	62	62	-	62
Unearned revenue	-	375	375	-	375
Long-term obligations:					
Due within one year	-	-	-	1,099	1,099
Due subsequent to one year	-	-	-	20,859	20,859
Total liabilities	38,806	75,959	114,765	21,957	136,722
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - DIR	-	133,306	133,306	(133,306)	-
Total Deferred Inflows of Resources	-	133,306	133,306	(133,306)	-
Total liabilities and deferred inflows of resources	38,806	209,265	248,071	(111,349)	136,722
FUND BALANCES (DEFICITS) / NET POSITION					
Fund Balances:					
Restricted	-	507	507	(507)	-
Committed	-	19,520	19,520	(19,520)	-
Assigned	-	55	55	(55)	-
Unassigned	1,486	(211)	1,275	(1,275)	-
Invested in capital assets, net of related debt	-	-	-	1,633	1,633
Restricted net position	-	-	-	507	507
Unrestricted net position	-	-	-	132,314	132,314
Total fund balances (deficits) / net position	1,486	19,871	21,357	113,097	134,454
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 40,292	\$ 229,136	\$ 269,428	\$ 113,097	\$ 134,454

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

State of Illinois
Department of Children and Family Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2014
(Expressed in Thousands)

Total fund balances-governmental funds	\$	21,357
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Prepaid expenses for governmental activities are current uses of financial resources for funds.		116
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,633
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		133,306
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences		(21,958)
 Net position of governmental activities	 \$	 <u>134,454</u>

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

**State of Illinois
Department of Children and Family Services**

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

For the Year Ended June 30, 2014 (Expressed in Thousands)

	General Fund 0001	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	\$ 683,748	\$ 445,371	\$ 1,129,119	\$ (808)	\$ 1,128,311
General Government	-	-	-	-	-
Capital Outlays	53	-	53	(53)	-
Total expenditures/expenses	683,801	445,371	1,129,172	(861)	1,128,311
Program revenues:					
Charges for services:					
Licenses and fees	14	46	60	-	60
Other charges for services	13,041	5,213	18,254	-	18,254
Total	13,055	5,259	18,314	-	18,314
Operating grant revenue:					
Federal	-	425,107	425,107	(13,390)	411,717
Total operating grant revenue	-	425,107	425,107	(13,390)	411,717
Net program revenues (expense)	(670,746)	(15,005)	(685,751)	(12,529)	(698,280)
General revenues:					
Interest and investment income	-	1	1	-	1
Other	-	279	279	-	279
Total general revenues	-	280	280	-	280
Other sources (uses):					
Appropriations from State resources	695,980	-	695,980	-	695,980
Lapsed appropriations	(11,714)	-	(11,714)	-	(11,714)
Receipts collected and transmitted to State Treasury	(13,596)	-	(13,596)	-	(13,596)
Transfers-in	-	-	-	1,939	1,939
Transfers-out	(1,220)	-	(1,220)	-	(1,220)
Total other sources (uses)	669,450	-	669,450	1,939	671,389
Change in fund balance/net position	(1,296)	(14,725)	(16,021)	(10,590)	(26,611)
Fund balance/net position, July 1, 2013	2,782	34,596	37,378	123,687	161,065
Fund balance/net position, June 30, 2014	\$ 1,486	\$ 19,871	\$ 21,357	\$ 113,097	\$ 134,454

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

State of Illinois
Department of Children and Family Services
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2014
(Expressed in Thousands)

Net change in fund balances	\$	(16,021)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital additions exceeded depreciation in the current period.</p>		1,577
<p>Prepaid expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the increase from the prior year.</p>		34
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount represents the decrease in unavailable revenue over the prior year.</p>		(13,390)
<p>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. Also some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Assets and are therefore not reported as expenses in the Statement of Activities.</p>		
Decrease in compensated absences obligation		1,189
Change in net position of governmental activities	\$	<u>(26,611)</u>

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

State of Illinois
Department of Children and Family Services

Statement of Fiduciary Net Position

June 30, 2014 (Expressed in Thousands)

	Private Purpose Trust Funds	Agency Fund Children's Trust Fund 1122
ASSETS		
Cash equity with State Treasurer	\$ -	\$ 192
Cash and cash equivalents	50	2,432
Investments	529	-
Due from other government - federal	-	534
Total assets	579	\$ 3,158
LIABILITIES		
Due to other government - federal	-	146
Other liabilities	-	3,012
Total liabilities	-	\$ 3,158
NET POSITION		
Held in trust for:		
Individuals, organizations, and other governments	579	
Total net position	\$ 579	

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

State of Illinois
Department of Children and Family Services

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014 (Expressed in Thousands)

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings:	
Interest, dividends and other investment income (loss)	<u>\$ 75</u>
Change in net position	75
Net position, July 1, 2013	<u>504</u>
Net position, June 30, 2014	<u><u>\$ 579</u></u>

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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

(1) Organization

The Department of Children and Family Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General 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 Bail Bonds Fund, the Children and Family Benefit Fund, the Children's Trust Fund, the Katherine Schaffner Bequest Fund, and the Herrick House Children's Center Bequest Fund.

The Department is organized to provide for social services to children and their families in the State through grants and purchase-of-service arrangements with local service agencies. The mission of the Department is to:

- Protect children who are reported to be abused or neglected and to increase their families' capability to safely care for them;
- Provide for the well-being of children in our care;
- Provide appropriate, permanent families as quickly as possible for those children who cannot safely return home;
- Support early intervention and child abuse prevention activities; and
- Work in partnerships with communities to fulfill this mission.

(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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

- 2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden 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, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Children and Family Services, are intended to present the financial position and the changes in financial position of only the portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2014 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 and fund financial statements is as follows:

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

The statement of net position and governmental funds balance sheet presents the assets and liabilities of the Department's governmental activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year. The fund balances are presented in classifications that comprise a hierarchy based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts can be spent.

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 the health and social services 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.

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on the major governmental fund, which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major 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 health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

The Department also administers the following fund types:

Governmental Funds:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, fees for service, and other resources restricted as to purpose.

Fiduciary Funds:

Private Purpose Trust – These funds account for resources legally held in trust for use by the Herrick House and the Katherine Schaffner Bequest. All resources of these funds, including any earnings on invested resources, may be used to support the Herrick House and the Katherine Schaffner Bequest. There is no requirement that any portion of these resources be preserved as capital.

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 (except for agency funds which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants and donations. 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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

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, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include federal grants and interest. All other revenue sources including licenses and fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue Fund represents only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

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

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August 31 for fiscal year 2014, 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.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued during the 14 month period from July to August 31 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.

(e) Eliminations

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

Eliminations have been made in the government-wide statement of net position to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental inter-fund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash equivalents also include cash on hand and petty cash funds.

(g) Investments

Investments are reported at fair value. The Department holds investments pursuant to statutory authority for locally-held funds.

(h) Inter-fund Transactions and Transactions with State of Illinois Component Units

The Department has the following types of inter-fund 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. Inter-fund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as inter-fund receivables and payables in the governmental funds balance sheets or the government-wide statements of net position.

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 various component units of the State of Illinois for professional services received and payments of State and Federal programs.

(i) Capital Assets

Capital assets, which include buildings 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.

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Buildings	\$100,000	10-60
Building Improvements	\$25,000	10-45
Equipment	\$5,000	3-25

(j) *Compensated Absences*

The liability for compensated absences reported in the government-wide statement of net position consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(k) *Fund Balances*

Fund balance is divided into five classifications based primarily on the extent to which the Department is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Restricted fund balances at June 30, 2014, were restricted for health and social services.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the Governor. Those committed amounts cannot be used for any other purpose unless the State legislature and Governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balances at June 30, 2014, were committed for health and social services.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Department for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature. Assigned fund balances at June 30, 2014, were assigned for health and social services.

Unassigned – The unassigned fund balance classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Department applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(l) Net position

In the government-wide statement of net position, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of the net position that is 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 position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(m) 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

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Adoption of Governmental Accounting Standards Board (GASB) Statements

Effective for the year ended June 30, 2014, the Department adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to report as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The effect of adopting this GASB statement was to reclassify unavailable revenue from a liability to a deferred inflow of resources, which did not impact beginning fund balance. See also Note 8.

Effective for the year ended June 30, 2014, the Department adopted GASB Statement No. 66, *Technical Corrections-2012- An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There was no impact on the Department's financial statements as a result of adopting this GASB statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25*, was adopted by the Department with its year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on the Department's financial statements as a result of adopting this GASB statement.

GASB statement No. 70, *Accounting and Financial Reporting for Nonexchange financial Guarantees*, was adopted by the Department year ending June 30, 2014. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It also requires a government that issues an obligation guarantee in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. It also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. There was no impact on the Department's financial statements as a result of adopting this GASB statement.

(o) Future Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27*, will be effective for the Department with its year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

GASB Statement No.69, *Government Combinations and Disposals of Government Operations*, will be effective for the Department within its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, will be effective for the Department within its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Management has not yet fully determined the impact these Statements will have on the financial position and results of operations of the Department.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. The Department independently manages deposits and investments maintained outside the State Treasury.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

(b) Investments

As of June 30, 2014, the Department had the following investments outside of the State Treasury:

	Fair Value (Thousands)	Weighted Average Maturity (Years)
	<hr/>	<hr/>
<i>Fiduciary Funds</i>		
Money Market Mutual Funds	\$36	0.132
Open-ended Equity Mutual Funds	369	N/A
Open-ended Debt Mutual Funds	160	6.271
Less cash equivalents	(36)	
<i>Total Investments</i>	<hr/> <hr/> \$529	

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Money Market Mutual Funds, Financial Institution Investment Pool and the Open-ended Debt Mutual Funds were not rated.

(c) Securities Lending Collateral

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2014, Deutsche Bank Group lent U.S. Agency Securities, U.S. Treasury Bills, and U.S. Agency Discount Notes and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody.

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank Group. During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 100%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2014 arising from securities lending agreements to the various funds of the State. The total allocated to the Department was \$62 thousand at June 30, 2014.

(4) Inter-fund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2014 represents amounts due from other State of Illinois funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Nonmajor governmental funds	\$ 1	\$ 353	Due from other Department and State funds for reimbursement of expenditures incurred.
	<u>\$ 1</u>	<u>\$ 353</u>	

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

The following balances (amounts expressed in thousands) at June 30, 2014 represent amounts due to other State of Illinois funds.

<u>Fund</u>	<u>Due to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 1	\$ 7,611	Due to State internal service funds for purchases of services and to Department and other State funds for reimbursement of expenditures incurred and transfers to fund mental health programs for children.
Nonmajor governmental funds	-	295	Due to State internal service funds for purchases of services and to other State funds for reimbursement of expenditures incurred and for excess advances received for grant expenditures to be incurred and to State fiduciary funds for pension contributions.
	<u>\$ 1</u>	<u>\$ 7,906</u>	

(b) Transfers to /from Other Funds

Inter-fund transfers in (amounts expressed in thousands) for the year ended June 30, 2014, were as follows:

<u>Fund</u>	<u>Transfers out to</u>	<u>Description/Purpose</u>
	<u>Other State Funds</u>	
General	\$ 1,939	Transfers in from Capital Development Board
	<u>\$ 1,939</u>	

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

Inter-fund transfers out (amounts expressed in thousands) for the year ended June 30, 2014, were as follows:

<u>Fund</u>	<u>Transfers out to Other State Funds</u>	<u>Description/Purpose</u>
General	\$ 1,220	Transfers to other State funds to fund mental health programs for children.
	<u>\$ 1,220</u>	

(c) Balances due to State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2014 represent amounts due to State of Illinois Component Units for reimbursement of expenses incurred.

<u>Component Unit</u>	<u>Due to</u>	
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>
Chicago State University	\$ 1,358	\$ 804
Governors State University	2,284	950
Northeastern Illinois University	-	3
Western Illinois University	189	16
Illinois State University	-	61
Northern Illinois University	482	646
Southern Illinois University	526	2,498
University of Illinois	1,628	219
	<u>\$6,467</u>	<u>\$5,197</u>

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements
June 30, 2014

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 3,382	\$ 1,992	\$ 501	\$ 4,873
Less accumulated depreciation:				
Equipment	3,326	415	501	3,240
Governmental activity capital assets, net	\$ 56	\$ 1,577	\$ -	\$ 1,633

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2014 was charged as follows:

Health and social services	\$ 415
----------------------------	--------

(6) Other Receivables

Other receivables at June 30, 2014, (expressed in thousands) consisted of the following:

<i>Governmental Funds</i>	General Fund
Revenue Source	Fund
Parental assessments	\$ 69
Overpayments	3,981
Total other receivables	4,050
Allowance for uncollectible amounts	(2,880)
Other receivables, net	\$ 1,170

**STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2014

(7) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2014 were a follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>July 1,</u>			<u>June 30,</u>	<u>Due</u>
	<u>2013</u>			<u>2014</u>	<u>Within</u>
					<u>One Year</u>
Governmental activities:					
Compensated absences	<u>\$23,147</u>	<u>\$ 30,516</u>	<u>\$ 31,705</u>	<u>\$21,958</u>	<u>\$ 1,099</u>

Compensated absences will be liquidated in subsequent years by the applicable governmental funds that account for the salaries and wages of the related employees.

(8) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Department has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Department has only one item that meets the criterion for this category – Deferred Revenues – unavailable.

(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 2014 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. 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.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2014, the employer contribution rate was 40.312%. 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, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

Public Act 97-0695, effective July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act ("Act"). This Act requires the Director of Central Management Services to, on an annual basis, determine the amount the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. On July 3, 2014, the Illinois Supreme Court issued an opinion in the retirement health insurance case. The Illinois Supreme Court disagreed with the circuit court and determined the circuit court should not have dismissed the case. The Supreme Court sent the case back to the circuit court for reconsideration. As a result the Sangamon Country Circuit Court has directed SERS to discontinue withholding, as soon as possible, the retiree and survivor health insurance premiums that have been in effect since July 2013. The refunding of premiums paid since July 2013 is unresolved and will be decided by the courts.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment 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 financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(11) Fund Deficits

The Federal Projects Fund had a deficit fund balance of \$211 thousand at June 30, 2014. The deficit will be eliminated by future recognition of earned but unavailable revenues. At June 30, 2014, unavailable and unearned revenues for this fund were \$196 and \$191, respectively.

(12) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; aviation liability; auto liability; workers compensation; and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

(13) Commitments and Contingencies

(a) Operating leases

The Department leases copiers and other office equipment, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$1,137 thousand for the year ended June 30, 2014.

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

Year Ending June 30,	Amount
2015	\$ 781
2016	434
2017	434
2018	135

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014

(b) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2014, the Department determined that certain files may not contain complete background check documentation which could result in returning funds received from federal agencies. The Department is currently assessing the extent of this matter and is unable to determine any amount of funds which could be required to be returned to the federal agency as a result.

In addition, there were no material questioned costs resulting from federal reviews 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

The Department is routinely involved in a number of other legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Department.

State of Illinois
Department of Children and Family Services
Combining Balance Sheet -
Non-major Governmental Funds

June 30, 2014 (Expressed in Thousands)

	Special Revenue						Total
	Children's Services Fund 0220	Federal Projects Fund 0566	Special Purpose Fund 0582	Child Abuse Prevention Fund 0934	Bail Bond Fund 1119	Children and Family Benefit Fund 1121	
ASSETS							
Cash equity with State Treasurer	\$ 31,471	\$ 102	\$ 544	\$ 235	\$ -	\$ -	\$ 32,352
Cash and cash equivalents	328	-	-	-	1	54	383
Securities Obligations	-	-	-	62	-	-	62
Due from other government - federal	194,267	1,718	-	-	-	-	195,985
Due from other Department funds	-	-	-	-	-	1	1
Due from other State funds	188	163	-	2	-	-	353
Total assets	\$ 226,254	\$ 1,983	\$ 544	\$ 299	\$ 1	\$ 55	\$ 229,136
LIABILITIES							
Accounts payable and accrued liabilities	\$ 68,099	\$ 1,457	\$ -	\$ 22	\$ -	\$ -	\$ 69,578
Intergovernmental payables	228	224	-	-	-	-	452
Due to other State fiduciary funds	-	-	-	-	-	-	-
Due to other State funds	290	5	-	-	-	-	295
Due to State of Illinois component units	5,076	121	-	-	-	-	5,197
Obligation under Securities Lending of State Treasurer	-	-	-	62	-	-	62
Unearned revenue	146	191	38	-	-	-	375
Total liabilities	73,839	1,998	38	84	-	-	75,959
DEFERRED INFLOW OF RESOURCES							
Unavailable revenue - DIR	133,110	196	-	-	-	-	133,306
Total Deferred Inflow of Resources	133,110	196	-	-	-	-	133,306
Total liabilities and deferred inflows of resources	206,949	2,194	38	84	-	-	209,265
FUND BALANCES (DEFICITS)							
Restricted	-	-	506	-	1	-	507
Committed	19,305	-	-	215	-	-	19,520
Assigned	-	-	-	-	-	55	55
Unassigned	-	(211)	-	-	-	-	(211)
Total fund balances (deficits)	19,305	(211)	506	215	1	55	19,871
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 226,254	\$ 1,983	\$ 544	\$ 299	\$ 1	\$ 55	\$ 229,136

State of Illinois
Department of Children and Family Services
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Non-major Governmental Funds

For the Year Ended June 30, 2014 (Expressed in Thousands)

	Special Revenue							Total
	Children's Services Fund 0220	Federal Projects Fund 0566	Special Purpose Fund 0582	Child Abuse Prevention Fund 0934	Bail Bond Fund 1119	Children and Family Benefit Fund 1121	Total	
REVENUES								
Federal government	\$ 418,664	\$ 6,443	\$ -	\$ -	\$ -	\$ -	\$ 425,107	
Licenses and fees	-	-	46	-	-	-	46	
Interest and other investment income	-	-	-	1	-	-	1	
Other charges for services	5,213	-	-	-	-	-	5,213	
Other	57	-	63	146	-	13	279	
Total revenues	423,934	6,443	109	147	-	13	430,646	
EXPENDITURES								
Health and social services	438,759	6,457	5	144	-	6	445,371	
General government & administration services	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	
Total expenditures	438,759	6,457	5	144	-	6	445,371	
Excess (deficiency) of revenues over (under) expenditures	(14,825)	(14)	104	3	-	7	(14,725)	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES								
Transfers-in	-	-	-	-	-	-	-	
Transfers-out	-	-	-	-	-	-	-	
Net other sources (uses) of financial resources	-	-	-	-	-	-	-	
Net change in fund balances	(14,825)	(14)	104	3	-	7	(14,725)	
Fund balances (deficits), July 1, 2013	34,130	(197)	402	212	1	48	34,596	
FUND BALANCES (DEFICITS), JUNE 30, 2014	\$ 19,305	\$ (211)	\$ 506	\$ 215	\$ 1	\$ 55	\$ 19,871	

State of Illinois

Department of Children and Family Services

Combining Statement of Fiduciary Net Position -

Private Purpose Trust Funds

June 30, 2014 (Expressed in Thousands)

	Katherine Schaffner Bequest Fund 1117	Herrick House Children's Center Bequest Fund 1207	Total
ASSETS			
Cash and cash equivalents	\$ 36	\$ 14	\$ 50
Investments	529	-	529
Total assets	<u>565</u>	<u>14</u>	<u>579</u>
NET POSITION			
Held in trust for:			
Individuals, organizations, and other governments	565	14	579
Total net position	<u>\$ 565</u>	<u>\$ 14</u>	<u>\$ 579</u>

State of Illinois
Department of Children and Family Services

**Combining Statement of Changes in Fiduciary Net Position -
Private Purpose Trust Funds**

For the Year Ended June 30, 2014 (Expressed in Thousands)

	Katherine Schaffner Bequest Fund 1117	Herrick House Children's Center Bequest Fund 1207	Total
Additions:			
Investment earnings:			
Interest, dividends and other investment income (loss)	\$ 75	\$ -	\$ 75
Change in net position	75	-	75
Net position, July 1, 2013	490	14	504
Net position, June 30, 2014	\$ 565	\$ 14	\$ 579

State of Illinois
Department of Children and Family Services
Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended June 30, 2014 (Expressed in Thousands)

	Children's Trust Fund (1122)			
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash equity with State Treasurer	\$ 193	\$ 2,615	\$ 2,616	\$ 192
Cash and cash equivalents	3,091	1,202	1,861	2,432
Due from other government - federal	476	1,260	1,202	534
Total assets	\$ 3,760	\$ 5,077	\$ 5,679	\$ 3,158
LIABILITIES				
Due to other government - federal	\$ 81	\$ 1,498	\$ 1,433	\$ 146
Amounts held on behalf of State Wards	3,679	3,579	4,246	3,012
Total liabilities	\$ 3,760	\$ 5,077	\$ 5,679	\$ 3,158

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2014
AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):

- Agency Functions and Planning Program (Unaudited)
- Average Number of Employees (Unaudited)
- Emergency Purchases (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
- Schedule of Indirect Cost Reimbursements (Unaudited)

The auditor's report that covers the 2014 and 2012 Supplementary Information for State Compliance Purposes states that such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The auditor's report also states the 2013 Supplementary Information for State Compliance Purposes and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2014	Lapse Period		Total Expenditures	Balances Lapsed
			Expenditures July 1 to August 31, 2014	Expenditures		
Public Acts 98-0027 and 98-0642						
APPROPRIATED FUNDS						
General Revenue Fund - 0001						
Regular positions	\$ 210,726,300	\$ 195,039,312	\$ 11,982,518	\$ 207,021,830	\$ 3,704,470	
Soc sec/medicare contributions	16,116,800	14,351,746	893,475	15,245,221	871,579	
Contractual services	26,720,700	19,447,544	5,814,520	25,262,064	1,458,636	
Travel	6,768,200	4,951,994	1,073,891	6,025,885	742,315	
Commodities	465,100	294,379	27,226	321,605	143,495	
Printing	474,000	203,702	103,279	306,981	167,019	
Equipment	47,400	8,245	10,294	18,539	28,861	
Electronic data processing	1,571,400	962,052	307,084	1,269,136	302,264	
Telecommunication	4,974,900	3,067,921	862,103	3,930,024	1,044,876	
Operation of auto equipment	174,000	127,412	10,001	137,413	36,587	
Awards and grants - lump sum	406,437,900	396,573,139	8,031,063	404,604,202	1,833,698	
Awards and grants	9,687,700	6,805,414	2,253,872	9,059,286	628,414	
Lump sums and other purposes	10,014,100	5,507,003	4,502,317	10,009,320	4,780	
Lump sum, operations	474,000	136,802	-	136,802	337,198	
Awards and grants to students	1,240,700	868,203	57,686	925,889	314,811	
Tort claims	75,000	31,421	2,638	34,059	40,941	
Refunds	11,500	7,677	814	8,491	3,009	
Subtotal Fund 0001	\$ 695,979,700	\$ 648,383,966	\$ 35,932,781	\$ 684,316,747	\$ 11,662,953	

(CONTINUED)

STATE OF ILLINOIS
 DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 APPROPRIATIONS FOR FISCAL YEAR 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2014	Lapse Period		Balances Lapsed
			Expenditures July 1 to August 31, 2014	Total Expenditures	
Public Acts 98-0027 and 98-0642					
DCFS Children's Services Fund - 0220					
Awards and grants - lump sum	\$ 424,556,500	\$ 332,279,173	\$ 65,826,480	\$ 398,105,653	\$ 26,450,847
Lump sums and other purposes	30,535,900	21,580,639	4,350,104	25,930,743	4,605,157
Awards and grants	16,217,900	8,521,827	3,514,957	12,036,784	4,181,116
Tort claims	2,800,000	2,105,172	-	2,105,172	694,828
	\$ 474,110,300	\$ 364,486,811	\$ 73,691,541	\$ 438,178,352	\$ 35,931,948
DCFS Federal Projects Fund - 0566					
Lump sums and other purposes	\$ 10,411,600	\$ 4,783,962	\$ 1,583,979	\$ 6,367,941	\$ 4,043,659
	\$ 10,411,600	\$ 4,783,962	\$ 1,583,979	\$ 6,367,941	\$ 4,043,659
DCFS Special Purpose Trust Fund - 0582					
Lump sums and other purposes	\$ 689,100	\$ -	\$ 130,000	\$ 130,000	\$ 559,100
	\$ 689,100	\$ -	\$ 130,000	\$ 130,000	\$ 559,100

(CONTINUED)

STATE OF ILLINOIS
 DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 APPROPRIATIONS FOR FISCAL YEAR 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2014	Lapse Period Expenditures		Total Expenditures	Balances Lapsed
			July 1 to August 31, 2014	August 31, 2014		
Public Acts 98-0027 and 98-0642						
Child Abuse Prevention Fund - 0934						
Awards and grants - lump sum	\$ 500,000	\$ 127,730	\$ 21,679	\$ 149,409	\$ 350,591	
Subtotal Fund 0934	\$ 500,000	\$ 127,730	\$ 21,679	\$ 149,409	\$ 350,591	
TOTAL - ALL APPROPRIATED FUNDS	\$ 1,181,690,700	\$ 1,017,782,469	\$ 111,359,980	\$ 1,129,142,449	\$ 52,548,251	

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (UNAUDITED)
APPROPRIATIONS FOR FISCAL YEAR 2013

Fourteen Months Ended August 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1 to August 31, 2013	Total Expenditures	Balances Lapsed
Public Acts 97-0730 and 98-0001					
APPROPRIATED FUNDS					
General Revenue Fund - 0001					
Regular positions	\$ 208,764,300	\$ 193,939,965	\$ 12,793,778	\$ 206,733,743	\$ 2,030,557
Soc sec/medicare contributions	15,970,500	\$14,420,630	962,717	15,383,347	587,153
Contractual services	27,625,996	\$19,325,861	5,005,382	24,331,243	3,294,753
Travel	6,768,200	\$4,901,455	1,129,726	6,031,181	737,019
Commodities	465,100	\$270,506	93,557	364,063	101,037
Printing	474,000	\$229,478	50,648	280,126	193,874
Equipment	47,400	\$9,867	10,712	20,579	26,821
Electronic data processing	2,071,400	\$1,325,902	518,112	1,844,014	227,386
Telecommunication	4,974,900	\$3,321,695	1,299,794	4,621,489	353,411
Operation of auto equipment	474,000	\$131,298	4,785	136,083	337,917
Awards and grants - lump sum	440,781,300	\$431,783,736	6,936,782	438,720,518	2,060,782
Awards and grants	12,003,100	\$9,075,815	2,059,001	11,134,816	868,284
Lump sums and other purposes	10,015,200	\$7,553,874	2,452,448	10,006,322	8,878
Lump sum, operations	474,000	\$313,624	-	313,624	160,376
Awards and grants to students	1,000,700	\$827,220	56,168	883,388	117,312
Tort claims	75,800	\$24,362	2,982	27,344	48,456
Refunds	6,204	\$4,653	1,550	6,203	1
Subtotal Fund 0001	\$ 731,992,100	\$ 687,459,941	\$ 33,378,142	\$ 720,838,083	\$ 11,154,017

(CONTINUED)

DCFS Children's Services Fund - 0220

STATE OF ILLINOIS
 DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (UNAUDITED)
 APPROPRIATIONS FOR FISCAL YEAR 2013

Fourteen Months Ended August 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period		Balances Lapsed
			Expenditures July 1 to August 31, 2013	Total Expenditures	
Public Acts 97-0730 and 98-0001					
Awards and grants - lump sum	\$ 409,232,900	\$ 316,239,040	\$ 56,239,886	\$ 372,478,926	\$ 36,753,974
Lump sums and other purposes	30,460,900	22,534,148	2,085,285	24,619,433	5,841,467
Awards and grants	16,217,900	9,811,271	3,230,471	13,041,742	3,176,158
Tort claims	2,800,000	165	311,000	311,165	2,488,835
Subtotal Fund 0220	\$ 458,711,700	\$ 348,584,624	\$ 61,866,642	\$ 410,451,266	\$ 48,260,434
DCFS Federal Projects Fund - 0566					
Lump sums and other purposes	\$ 7,722,500	\$ 3,432,462	\$ 1,583,030	\$ 5,015,492	\$ 2,707,008
Subtotal Fund 0566	\$ 7,722,500	\$ 3,432,462	\$ 1,583,030	\$ 5,015,492	\$ 2,707,008
DCFS Special Purpose Trust Fund - 0582					
Lump sums and other purposes	\$ 689,100	\$ 175,004	\$ 5,036	\$ 180,040	\$ 509,060
Subtotal Fund 0582	\$ 689,100	\$ 175,004	\$ 5,036	\$ 180,040	\$ 509,060

(CONTINUED)

STATE OF ILLINOIS
 DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (UNAUDITED)
 APPROPRIATIONS FOR FISCAL YEAR 2013

Fourteen Months Ended August 31, 2013

Public Acts 97-0730 and 98-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period		Balances Lapsed
			Expenditures July 1 to August 31, 2013	Total Expenditures	
Child Abuse Prevention Fund - 0934					
Awards and grants - lump sum	\$ 500,000	\$ 77,500	\$ 84,019	\$ 161,519	\$ 338,481
	Subtotal Fund 0934	\$ 500,000	\$ 84,019	\$ 161,519	\$ 338,481
TOTAL - ALL APPROPRIATED FUNDS	\$ 1,199,615,400	\$ 1,039,729,531	\$ 96,916,869	\$ 1,136,646,400	\$ 62,969,000

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2014, 2013 (Unaudited), and 2012

	Fiscal Year		
	2014	2013	2012
	P.A. 98-0027 P.A. 98-0642	P.A. 97-0730 P.A. 98-0001	P.A. 97-0070 P.A. 97-0642
General Revenue Fund - 0001			
Appropriations (Net After Transfers)	\$ 695,979,700	\$ 731,992,100	\$ 812,534,100
Regular positions	\$ 207,021,830	\$ 206,733,743	\$ 211,131,801
Soc sec/medicare contributions	15,245,221	15,383,347	15,713,443
Contractual services	25,262,064	24,331,243	27,334,454
Travel	6,025,885	6,031,181	6,124,948
Commodities	321,605	364,063	215,384
Printing	306,981	280,126	209,916
Equipment	18,539	20,579	684
Electronic data processing	1,269,136	1,844,014	2,332,316
Telecommunication	3,930,024	4,621,489	4,721,041
Operation of auto equipment	137,413	136,083	24,382
Awards and grants - lump sum	404,604,202	438,720,518	514,066,424
Awards and grants	9,059,286	11,134,816	12,266,425
Lump sums and other purposes	10,009,320	10,006,322	9,998,434
Lump sum, operations	136,802	313,624	482,675
Awards and grants to students	925,889	883,388	807,628
Tort claims	34,059	27,344	28,409
Refunds	8,491	6,203	9,800
Total Appropriated Expenditures	<u>\$ 684,316,747</u>	<u>\$ 720,838,083</u>	<u>\$ 805,468,164</u>
Lapsed Balances	<u>\$ 11,662,953</u>	<u>\$ 11,154,017</u>	<u>\$ 7,065,936</u>
DCFS Children's Services Fund - 0220			
Appropriations (Net After Transfers)	\$ 474,110,300	\$ 458,711,700	\$ 438,793,400
Awards and grants - lump sum	\$ 398,105,653	\$ 372,478,926	\$ 338,997,221
Lump sums and other purposes	25,930,743	24,619,433	26,789,952
Awards and grants	12,036,784	13,041,742	13,019,520
Tort claims	2,105,172	311,165	355,000
Total Appropriated Expenditures	<u>\$ 438,178,352</u>	<u>\$ 410,451,266</u>	<u>\$ 379,161,693</u>
Lapsed Balances	<u>\$ 35,931,948</u>	<u>\$ 48,260,434</u>	<u>\$ 59,631,707</u>
DCFS Federal Projects Fund - 0566			
Appropriations (Net After Transfers)	\$ 10,411,600	\$ 7,722,500	\$ 7,722,500

(CONTINUED)

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2014, 2013 (Unaudited), and 2012

	Fiscal Year		
	2014	2013	2012
	P.A. 98-0027 P.A. 98-0642	P.A. 97-0730 P.A. 98-0001	P.A. 97-0070 P.A. 97-0642
DCFS Federal Projects Fund - 0566 (Continued)			
Lump sums and other purposes	\$ 6,367,941	\$ 5,015,492	\$ 5,113,086
Total Appropriated Expenditures	<u>\$ 6,367,941</u>	<u>\$ 5,015,492</u>	<u>\$ 5,113,086</u>
Lapsed Balances	<u>\$ 4,043,659</u>	<u>\$ 2,707,008</u>	<u>\$ 2,609,414</u>
DCFS Special Purpose Trust Fund - 0582			
Appropriations (Net After Transfers)	\$ 689,100	\$ 689,100	\$ 689,100
Lump sums and other purposes	\$ 130,000	\$ 180,040	\$ 465,349
Total Appropriated Expenditures	<u>\$ 130,000</u>	<u>\$ 180,040</u>	<u>\$ 465,349</u>
Lapsed Balances	<u>\$ 559,100</u>	<u>\$ 509,060</u>	<u>\$ 223,751</u>
Child Abuse Prevention Fund - 0934			
Appropriations (Net After Transfers)	\$ 500,000	\$ 500,000	\$ 500,000
Awards and grants - lump sum	\$ 149,409	\$ 161,519	\$ 195,900
Total Appropriated Expenditures	<u>\$ 149,409</u>	<u>\$ 161,519</u>	<u>\$ 195,900</u>
Lapsed Balances	<u>\$ 350,591</u>	<u>\$ 338,481</u>	<u>\$ 304,100</u>
Grand Total - All Appropriated Funds			
Appropriations (Net After Transfers)	\$ 1,181,690,700	\$ 1,199,615,400	\$ 1,260,239,100
Total Appropriated Expenditures	<u>\$ 1,129,142,449</u>	<u>\$ 1,136,646,400</u>	<u>\$ 1,190,404,192</u>
Lapsed Balances	<u>\$ 52,548,251</u>	<u>\$ 62,969,000</u>	<u>\$ 69,834,908</u>
General Revenue Fund (0001) - State Comptroller Officer Salaries			
Director salary	\$ 150,296	\$ 150,228	\$ 150,296

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> (Unaudited)
Balance at beginning of year	\$ 26,246,361	\$ 27,297,977
Additions	2,834,629	468,456
Deductions	<u>(3,030,646)</u>	<u>(1,520,072)</u>
Balance at end of the year	<u>\$ 26,050,344</u>	<u>\$ 26,246,361</u>

Note: This schedule was prepared from Department records and was reconciled to property reports submitted to the State Comptroller.

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 generally accepted accounting principles.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30, 2014, 2013 (Unaudited), and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenue Fund - 0001			
Child welfare	\$ 13,000,000	\$ 13,000,000	\$ 11,916,667
Miscellaneous	53,485	72,214	71,563
Parental contributions for care and maintenance of children	14,003	17,191	24,817
	<u>\$ 13,067,487</u>	<u>\$ 13,089,405</u>	<u>\$ 12,013,047</u>
DCFS Children's Services Fund - 0220			
Federal Government	\$ 351,824,927	\$ 344,112,965	\$ 345,577,784
Miscellaneous	357,976	617,431	967,489
Reimbursement from Children's Trust	4,691,341	5,507,009	5,717,267
	<u>\$ 356,874,244</u>	<u>\$ 350,237,405</u>	<u>\$ 352,262,540</u>
DCFS Federal Projects Fund - 0566			
Federal Government - DHHS	\$ 5,726,952	\$ 3,570,597	\$ 4,773,100
Private organizations or individuals	471,050	501,892	247,969
	<u>\$ 6,198,002</u>	<u>\$ 4,072,489</u>	<u>\$ 5,021,069</u>
DCFS Special Purpose Trust Fund - 0582			
Private organizations or individuals	\$ 175,187	\$ 65,960	\$ 527,980
Putative Father Fees	-	47,735	49,160
Public Health-GRF	-	-	102,000
	<u>\$ 175,187</u>	<u>\$ 113,695</u>	<u>\$ 679,140</u>
TOTAL DEPARTMENT RECEIPTS	<u>\$ 376,314,921</u>	<u>\$ 367,512,994</u>	<u>\$ 369,975,796</u>

Note: This schedule was prepared from Department records and includes cash receipts in-transit at June 30, to the State Treasury.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Years Ended June 30, 2014 and 2013

2014						
	0001	0220	0566	0582	0934	Total
	General	Children's	Federal	DCFS	Child	All
	Revenue	Services	Projects	Special	Abuse	Funds
	Fund	Fund	Fund	Purpose	Prevention	Trust
	Fund	Fund	Fund	Trust	Fund	Fund
Cash Receipts and Transfers per DCFS	\$ 13,067,487	\$ 356,874,244	\$ 6,198,002	\$ 175,187	\$ -	\$ 376,314,921
Prior year and other adjustments	528,967	880,280	-	-	5,915	1,415,162
Cash Receipts and Transfers per Comptroller (SB04 report)	<u>\$ 13,596,455</u>	<u>\$ 357,754,524</u>	<u>\$ 6,198,002</u>	<u>\$ 175,187</u>	<u>\$ 5,915</u>	<u>\$ 377,730,083</u>
2013 (Unaudited)						
	0001	0220	0566	0582	0934	Total
	General	Children's	Federal	DCFS	Child	All
	Revenue	Services	Projects	Special	Abuse	Funds
	Fund	Fund	Fund	Purpose	Prevention	Trust
	Fund	Fund	Fund	Trust	Fund	Fund
Cash Receipts and Transfers per DCFS	\$ 13,089,405	\$ 350,237,405	\$ 4,072,489	\$ 113,695	\$ -	\$ 367,512,994
Prior year and other adjustments	464,084	556,244	3,067	-	1,278	1,024,673
Cash Receipts and Transfers per Comptroller (SB04 report)	<u>\$ 13,553,489</u>	<u>\$ 350,793,649</u>	<u>\$ 4,075,556</u>	<u>\$ 113,695</u>	<u>\$ 1,278</u>	<u>\$ 368,537,667</u>

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Fiscal Years Ended June 30, 2014, 2013 (Unaudited) and 2012

Schedule 7

The Illinois Department of Children and Family Services' (Department) explanations for significant fluctuations in expenditures greater than \$250,000 and 20% of total expenditures in that category as presented in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Schedule 3) are detailed below.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2012 AND 2013

General Revenue Fund 0001

Electronic Data Processing

Fiscal year 2013 expenditures decreased 21% over fiscal year 2012 expenditures. A contract for infrastructure support with Rose International ended in fiscal year 2012. Also, expenditures to the Department of Central Management Services' Statistical Services Revolving Fund (SSRF) decreased by approximately \$378,000 due to less usage. SSRF bills agencies based on usage of centralized data equipment and services.

DCFS Special Purpose Trust Fund 0582

Lump Sum and Other Purposes

Fiscal year 2013 expenditures decreased 61% over fiscal year 2012, as there were fewer payments made to Chicago State University because their role in training decreased during fiscal year 2013.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2013 AND 2014

General Revenue Fund 0001

Electronic Data Processing

Fiscal year 2014 expenditures decreased 31% over fiscal year 2013 expenditures as a result of a reduction in payments to the Department of Central Management Services' Statistical Services Revolving Fund for usage of centralized data equipment and services.

DCFS Federal Projects Fund 0566

Lump Sum and Other Purposes

Fiscal year 2014 expenditures increased 27% over fiscal year 2013 due to the number of providers and new projects increasing in fiscal year 2014. To address fiscal year 2013 Department staff cuts, the Department increased participation in certain federal grants and awards in order to preserve portions of intact family services through an increase in private agency contracting. The services were provided on a more limited basis and at a reduced cost.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Fiscal Years Ended June 30, 2014, 2013 (Unaudited) and 2012

Schedule 8

The Illinois Department of Children and Family Services' (Department) explanations for significant fluctuations in receipts greater than \$250,000 and 20% of total receipts in that category as presented in the Comparative Schedule of Cash Receipts (Schedule 5) are detailed below.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2012 AND 2013

DCFS Special Purpose Trust Fund 0582

Fund 0582 receipts decreased 83% in fiscal year 2013. This decrease was due primarily to a reduction in funds received from the Casey Family Program Grant in fiscal year 2013. In addition, fiscal year 2012 receipts included a reimbursement of \$102,000 for interfund borrowing.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2013 AND 2014

DCFS Federal Projects Fund 0566

Fund 0566 receipts increased 52% in fiscal year 2014 due to increased activity of the Trauma Focus program. Receipts for this program increased from \$364,232 in fiscal year 2013 to \$2,479,701 in fiscal year 2014.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Fiscal Years Ended June 30, 2014 and 2013

Schedule 9

The Illinois Department of Children and Family Services' (Department) explanations for significant lapse period spending as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2014 and 2013 (Schedules 1 and 2) are detailed below. For purposes of this analysis, significant lapse period spending is defined as \$100,000 and 20% or more of the total expenditures in that category.

Fiscal Year 2013 (Unaudited)

General Revenue Fund 0001

Contractual Services

Approximately 21% of total expenditures were paid during the lapse period in fiscal year 2013. The majority of lapse spending was for invoices that are inherently delayed due to the nature and the timing of billing (University contracts, Department of Central Management Services (DCMS) Facilities Management Revolving Fund, DCMS Statistical Services Revolving Fund, and June monthly services).

Commodities

Approximately 26% of total expenditures were paid during the lapse period in fiscal year 2013. This was due to invoices for purchases, primarily for paper and office supplies, made in the final three months of the fiscal year not being received until late June or July.

Equipment

Approximately 52% of total expenditures were paid during lapse period in fiscal year 2013. This is due to invoices for purchases, primarily for shelving and office cubicle partitions, made in the final three months of the fiscal year not being received until late June or July.

EDP

Approximately 28% of total expenditures were paid during lapse period in fiscal year 2013. This is due primarily to DCMS Statistical Services Revolving Fund billings that are inherently delayed due to the nature and timing of the billing. In addition, vendor invoices for computers, servers and other data processing equipment totaling \$126,115 were either not received or not considered proper invoices until late in the fiscal year.

Telecommunications

Approximately 28% of total expenditures were paid during the lapse period in fiscal year 2013. This is due to DCMS billings that are inherently delayed due to the nature and timing of the billing.

Lump Sum and Other Purposes

Approximately 25% of the total expenditures were paid during lapse period in fiscal year 2013. This is due to June payroll for June 30th pay date and billings that are inherently delayed due to the nature and timing of billing (University contracts and consulting services).

DCFS Children's Services Fund 0220

Awards and Grants

Approximately 27% of the total expenditures were paid during lapse period in fiscal year 2013. Expenditures were primarily for counseling, family preservation, training, and system of care services provided by DCFS providers. Fifteen percent was for two providers, Casa Central Social Services Corp. and Evangelical Child and Family Agency. Service periods ranged from October through June. Since lapse period is the final opportunity to receive payments before going to Court of Claims, providers and the Department make an effort to resolve billings for the year. In addition, certain University invoices were not received until after the end of the fiscal year and various other invoices were held by the Department's contract monitor until matters were cleared with the providers.

Tort Claims

Substantially all expenditures were paid during the lapse period in fiscal year 2013 and were for two separate matters totaling \$311,000.

DCFS Federal Projects Fund 0566

Lump Sum and Other Purposes

Approximately 32% of the total expenditures were paid during lapse period in fiscal year 2013. This is due to billings that are inherently delayed due to the nature and timing of the billing (University contracts).

Fiscal Year 2014

General Revenue Fund 0001

Contractual Services

Approximately 23% of total expenditures were paid during the lapse period in fiscal year 2014. The majority of lapse spending is for invoices that are inherently delayed due to the nature and the timing of billing (University contracts, DCMS Facilities Management Revolving Fund (represented approximately \$3.5 million of lapse expenditures) and June monthly services).

Printing

Approximately 34% of total expenditures were paid during the lapse period in fiscal year 2014. Lapse spending was primarily attributable to paper purchases from one vendor and for Department of Human Services' print shop costs that were not billed to the Department timely.

EDP

Approximately 24% of total expenditures were paid during lapse period in fiscal year 2014. DCMS Statistical Services Revolving Fund billings accounted for \$243,283 of lapse period expenditures and vendor invoices for data processing equipment received late in the year accounted for \$40,059 of the lapse period expenditures.

Telecommunications

Approximately 22% of total expenditures were paid during the lapse period in fiscal year 2014. This is due to billings that are inherently delayed due to the nature and timing of the billing (DCMS Telecommunication Revolving Fund).

Lump Sum and Other Purposes

Approximately 45% of the total expenditures were paid during the lapse period in fiscal year 2014. Significant lapse period expenditures included \$726,903 to Governors State University for training projects; \$488,985 to Chicago State University for evidence based trauma focus training; \$1,491,113 for purchase of new laptops and related equipment for field staff; \$207,300 to Youth Guidance for counseling services for Project Strive Network and \$612,446 to the University of Illinois for behavioral health and wellness programming.

Awards and Grants

Approximately 25% of the total expenditures were paid during the lapse period in fiscal year 2014. Expenditures were primarily for counseling, family preservation, training, and system of care services provided by DCFS providers. Service periods ranged from July 2013 through June 2014. Since lapse period is the final opportunity to receive payments before going to Court of Claims, providers and the Department make an effort to resolve billings for the year.

DCFS Children's Services Fund 0220

Awards and Grants

Approximately 29% of the total expenditures were paid during the lapse period in fiscal year 2014. Expenditures were primarily for counseling, family preservation, training, and system of care services provided by Department providers. Service periods ranged from July 2013 through June 2014. Since lapse period is the final opportunity to receive payments before going to Court of Claims, providers and the Department make an effort to resolve billings for the year. In addition, certain invoices were held by the Department's contract monitor until matters were cleared with the providers. Expenditures also included adoption services with service periods ranging from March through June 2014.

DCFS Federal Projects Fund 0566

Lump Sum and Other Purposes

Approximately 25% of the total expenditures were paid during the lapse period in fiscal year 2014. This is due to billings that are inherently delayed due to the nature and timing of the billing (University contracts). Payments during lapse primarily represent grants to Universities and non-profit organizations for permanency innovations initiatives; for training; the strengthening and supporting families project; for comprehensive family assessment evaluation and the diligent recruitment federal demonstration project. The largest payment, totaling \$551,222, was made to Northwestern University for permanency innovations services. The service period was July 2013 through June 2014.

Child Abuse Prevention Fund 0582

Lump Sum and Other Purposes

All of the expenditures were paid during the lapse period in fiscal year 2014. A single payment was made during the lapse period to Chicago State University for evidence based trauma focus training. The period of service was July through August 2013.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE

June 30, 2014 and 2013

(Amounts Expressed in Thousands)

The Department has two categories of accounts receivable. Parental accounts receivable are a result of fees assessed to parents of children who are receiving benefits on behalf of children from the Department through foster care or other services. Board accounts receivable are a result of overpayments by the Department to providers of care for the children.

(Per Department records)

General Revenue Fund (0001)	<u>2014</u>	<u>2013</u> (Unaudited)
Parental accounts receivable	\$ 69	\$ 78
Less: allowance for uncollectibles	<u>67</u>	<u>73</u>
	<u>2</u>	<u>5</u>
Board accounts receivable	3,981	3,496
Less: allowance for uncollectibles	<u>2,813</u>	<u>2,180</u>
	<u>1,168</u>	<u>1,316</u>
Accounts Receivable, Net	<u>\$ 1,170</u>	<u>\$ 1,321</u>

<u>2014 Aging of Receivables</u>	<u>0 - 60</u> Days	<u>Over 60</u> Days	<u>Total</u>
Parental accounts receivable	\$ -	\$ 69	\$ 69
Board accounts receivable	\$ 597	\$ 3,384	\$ 3,981

<u>2013 Aging of Receivables (Unaudited)</u>	<u>0 - 60</u> Days	<u>Over 60</u> Days	<u>Total</u>
Parental accounts receivable	\$ -	\$ 78	\$ 78
Board accounts receivable	\$ 528	\$ 2,968	\$ 3,496

Note: The Department uses both the Comptroller's offset system and a private collection agency to attempt collection of accounts receivable. If the collection agency is unable to collect the account receivable and the amount owed is \$1,000 or more, the Department submits the account to the Attorney General for suit.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AGENCY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Fiscal Years Ended June 30, 2014 and 2013

Agency Functions Description

The Department of Children and Family Services (Department) is mandated to provide protective and preventive services to children and their families. The Department responds to this charge by directing programs which protect children who are at risk of harm, administering comprehensive community-based systems of youth services and family support, remedying family problems that place children at risk of being removed from their homes, providing children with a safe, nurturing environment when out-of-home placement is needed, and when appropriate, placing children in suitable adoptive homes.

The Department's mission is based upon the conviction that children must have a consistent nurturing environment to achieve optimal growth and development. Permanency goals are established for each child in the Department's care that reflects the individual needs of each child and family. During service provision, a child's goal may be remaining at home, returning home, adoption, permanent family placement, independence or long-term care in a residential facility.

Five Department service delivery programs are designed to achieve these client goals: Protective Services, Family Maintenance, Family Reunification and Substitute Care, Adoption and Guardianship and Support Services.

The Department's Acting Director is George H. Sheldon. Mr. Sheldon's offices are located at 406 East Monroe Street, Springfield, Illinois and 6th floor, James R. Thompson Center, 100 W. Randolph, Chicago, Illinois.

Protective Services

Child Protective Services begin with a receipt of a report alleging abuse or neglect at the Department's 24-hour hotline at the State Central Register. An investigation of the report is initiated within 24 hours of its receipt. The investigation is conducted for the purpose of determining whether credible evidence of child abuse or neglect exists and whether the family can benefit from protective services. When such service needs are identified, Department staff arranges for those services to be initiated. The differential intensity, duration and protective character of the services offered is determined by whether the report is determined to be credible and ruled founded or determined to be not credible and ruled unfounded.

In addition, day care services for children and their families are provided to enable the parent(s) to participate in education and training programs; to provide alternate care for children in danger of neglect, abuse or exploitation; to reduce the need for the out-of-home placement of children; and to subsidize appropriate child care for working parents with low incomes. The Department licenses day care facilities and homes.

Family Maintenance

The Family Maintenance program is designed to prevent the need for out-of-home placement of children. Services provide support and training in order to promote the development of an improved home environment that ensures the child's well-being and safety. Both Department and private agency staff provide case management and social work to these children and families.

Given that case management services are best provided prior to an incident that necessitates out-of-home placement, the Department continues to invest necessary resources in the "front end" of the service delivery system. Consequently, the Department has intensified its intact family services through the addition of special high risk intact positions working with the most difficult cases. Intact family services are voluntary services provided to families whose cases do not result in temporary custody being taken of children. By focusing on intact family services when appropriate, and front-loading the services, involvement with families is directed toward short-term interventions.

Adoption and Guardianship

When it is inappropriate or not possible to return a child to the natural family, adoption is viewed as a desirable alternative. The child's need for a safe, nurturing and permanent home is the paramount factor when considering adoption. Adoption assistance is available to families who are considering adopting children with special needs for whom the Department is legally responsible and who cannot be adopted without a subsidy. Such assistance includes one-time cash payments for legal fees, monthly subsidy payments and a Medicaid card. Payment for services to address physical, emotional and mental health needs for pre-existing conditions, not payable through other sources, may be provided in accordance with the subsidy through post-adoption services.

Family Reunification and Substitute Care

Family Reunification and Substitute Care services are critical components of the Department's family focused programs. Family Reunification addresses the problems of dysfunctional families through the provision of intensive in-home services. Substitute care is provided to the children in need of placement, with the goal of returning the children to a stabilized home environment. The effective provision of service to families and children includes the responsibility of licensing all childcare facilities and a review of open child cases every six months. Childcare facilities include all foster homes, institutional and group homes. Both Department and private agency staff provide case management and social work to these children and families.

Support Services

Central administration, audits, legislative, communications, legal services, management and budget, and fiscal functions fall in this area.

Agency Planning Program

The Department prepares and coordinates the Child and Family Services Plan (CFSP), a plan based on the requirements of Titles IV-B and IV-E of the Social Security Act and Illinois laws. Implementation and administration of the CFSP are the responsibilities of the various organizational units of the Department that perform substantive program, support, and administrative functions.

The Department's most recent CFSP covers 2010-2014 and includes those objectives, action steps and activities that the Department plans to implement during the federal fiscal years 2010-2014. For those objectives identified, the Department develops the measures and baseline for annually reporting its progress in an Annual Progress and Services Report (APSR). Prior to

developing the APSR every year, the Department considers the action steps to meet the objectives with needs assessment information.

The planning cycle is coordinated with the budgeting cycle so the Department's stated goals and priorities provide direction in the allocation of resources. The Department recently completed a statewide evaluation of the Department's organization structure and functions as a part of its fiscal year 2013 reorganizational plan. Guided by the evaluation and the Director's statement of priorities, projections of service needs and performance objectives, fiscal planners in the Department coordinate operating units in preparing the Department's budget and reviewing it with the Governor's Office of Management and Budget.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)
For the Fiscal Years Ended June 30, 2014, 2013 and 2012

The following information was developed through analysis of headcount schedules.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Child welfare	608	603	603
Child protection	938	1,044	1,131
Purchase of service monitoring	380	343	365
Budget and finance	176	163	164
Central administration	161	158	165
Administrative case review	44	55	67
Office of the guardian	61	59	59
Clinical services	89	91	84
AFCAR/SACWIS	69	76	55
Quality assurance	31	38	36
Title IV-E reimbursements	17	19	22
Inspector general	17	19	19
Targeted case management	26	41	51
Foster care/adoption training	2	2	5
Attorney general CW litigation	1	4	8
Foster care initiative	5	15	26
Independent living initiative	4	4	4
Children's Justice Act	1	1	2
Health care network	-	1	1
	<u>2,630</u>	<u>2,736</u>	<u>2,867</u>

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
EMERGENCY PURCHASES (UNAUDITED)
For the Fiscal Years Ended June 30, 2014 and 2013

Fiscal Year	Vendor	Description	Estimated	Actual Cost
2013	Pitney Bowes	Maintain existing 54 postage machines currently being used by DCFS to generate time-sensitive outgoing mail. Also enables agency to remain in compliance with various State and Federal mandates.	\$ 28,760	\$ 28,760
2014	Chrysalis Consulting Group	Immediate need related to the mission to provide DCFS with detailed tracking of specific sets of data which are not available in current case management data systems-track foster care clients.	244,204	244,204
2014	Public Consulting Group	Immediate need to provide services that allow submission of eligible clients to SSI; to screen all current and new cases to provide documentation and evidence to support on-going applications for SSI.	276,000	276,000
2014	King Technologies	Immediate need to continue services in process for maintaining and transferring a centralized Putative Father Registry database.	66,000	66,000
2014	King Technologies	Immediate need to provide services for the Diligent Search Center to assist workers by providing diligent search consultation and perform computer searches for missing persons as required by Juvenile Courts.	150,000	150,000

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SERVICE EFFORTS AND ACCOMPLISHMENTS
(UNAUDITED)

For the Fiscal Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

The following data was extracted from information reported by the Department for inclusion in the Illinois Office of the Comptroller's Public Accountability Report.

The mission of the Department is to: 1) protect children who are reported to be abused and neglected and to increase their families' capacity to safely care for them, 2) provide for the well-being of children in its care, 3) provide appropriate, permanent families as quickly as possible for those children who cannot safely return home, 4) support early intervention and child abuse prevention activities, 5) work in partnership with communities to fulfill this mission.

To achieve this mission the Department utilizes its employees and a broad network of private service providers throughout the state. Private agencies are the primary service provider for more than three-fourths of the children in foster care and all children in residential placements.

The Department's major program areas are as follows:

Protective Services – Operates the Child Abuse Hotline, conducts child abuse/neglect investigations, licenses Day Care Centers, foster homes, child welfare agencies and institutions.

Family Maintenance – Delivers services to families to assure child safety so that children can remain in or return to the home.

Adoption and Guardianship – Recruits, supports and maintains adoptive/guardianship homes to which children who cannot return home are placed for permanent settings.

Family Reunification and Substitute Care – Assures permanency for children, prepares families for reunification, and ensures the well-being and safety of children who are placed outside their homes due to abuse, neglect or dependency.

Support Services – Establishes best practice standards, maintains department systems, reports on agency performance, provides administrative support and monitors many department accountability practices.

Department of Children and Family Services - Protective Services

Mission Statement: Protect children, who are reported to be abused and neglected, by assuring their safety in making service provision, placement and permanency planning decisions; by licensing of foster homes, group homes, child care institutions and day care facilities; and by enhancing their families' capacity to safely care for them. Provide for the well-being of children in our care. Support early intervention and child abuse prevention activities. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

- 1 Reports of child abuse/neglect reports will be investigated promptly, safety ensured, and subsequent abuse/neglect prevented.
- 2 Increase child safety after agency involvement.
- 3 Improve responsiveness of the child abuse and neglect hotline.

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, Child Abuse Prevention Fund **Statutory Authority: Children & Family Services Act**

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<u>Input Indicators</u>				
● Total expenditures - all sources (in thousands)	\$ 122,430.9	\$ 127,282.7	\$ 126,209.6	\$ 134,795.8
● Total expenditures - state appropriated funds (in thousands)	\$ 122,430.9	\$ 127,282.7	\$ 126,209.6	\$ 134,795.8
● Average monthly full-time equivalents	1,069.0	1,144.0	1,064.0	1,144.0
<u>Output Indicators</u>				
● Family reports investigated	66,923	67,429	67,747	66,800
● Hotline calls	236,589	257,110	231,536	225,000
● Children investigated	108,607	109,236	109,782	108,900
<u>Outcome Indicators</u>				
● Number of indicated family reports	17,552	17,278	19,105	18,510
● Percentage of investigations indicated	26.4%	25.6%	28.2%	27.7%
● Percentage of investigations initiated within 24 hours	99.8%	99.8%	99.4%	99.5%
● Percentage of investigations completed within 60 days	85.7%	86.2%	94%	95.8%

Explanatory Information

Historical data will change as the reporting period becomes more fully observed.

Department of Children and Family Services - Family Maintenance

Mission Statement: Support and stabilize families so that children can safely return home or, if they have been removed, quickly return home.

Program Goals:

Objectives:

- 1 Provide effective in-home services to maintain stable family environments and prevent subsequent abuse.
- 2 Provide effective programs to minimize intake into substitute care.
- 3 Improve parenting skills and deter substance abuse.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<u>Input Indicators</u>				
Total expenditures - all sources (in thousands)	\$ 31,678.0	\$ 32,933.4	\$ 33,708.8	\$ 39,038.4
Total expenditures - state appropriated funds (in thousands)	\$ 31,678.0	\$ 32,933.4	\$ 33,708.8	\$ 39,038.4
Average monthly full-time equivalents	31.0	31.0	31.0	31.0
<u>Output Indicators</u>				
Intact families at end of fiscal year	3,152	3,440	3,677	3,500
Family cases closed	7,606	8,554	7,558	7,700
<u>Outcome Indicators</u>				
Intact family cases open over 12 months	652.0	716.0	709.0	701.0

Explanatory Information

Historical data will change as the reporting period becomes more fully observed.

Department of Children and Family Services - Adoption and Guardianship

Mission Statement: Provide new permanent homes for children in Department's care who cannot safely return to or remain with their biological families. To provide for the well-being of children in adoptive placement. To provide support to adoptive parents before and after adoption-consummation. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

- 1 Support and maintain children in adoptive and guardianship homes.
- 2 Maintain children in adoptive and guardianship homes.
- 3 Stabilize placements in adoptive homes and subsidized guardianships.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<u>Input Indicators</u>				
Total expenditures - all sources (in thousands)	\$ 209,931.4	\$ 218,250.8	\$ 198,261.1	\$ 193,478.9
Total expenditures - state appropriated funds (in thousands)	\$ 209,931.4	\$ 218,250.8	\$ 198,261.1	\$ 193,478.9
Average monthly full-time equivalents	78.0	69.0	79.0	69.0
<u>Output Indicators</u>				
Number of children receiving adoption payments (end of year)	22,284	21,736	21,202	20,624
Number of children receiving guardianship payments (end of year)	3,226	2,886	3,035	2,858
<u>Outcome Indicators</u>				
Number of children adopted	1,469	1,254	1,495	1,590
Number of children to guardianship	347.0	250.0	324.0	400.0

Explanatory Information

Historical data will change as the reporting period becomes more fully observed.

Department of Children and Family Services - Family Reunification and Substitute Care

Mission Statement: Ensure the well-being, safety and permanency of children who are placed outside their homes due to abuse, neglect or dependency. Work in partnership with communities to fulfill this mission.

Program Goals:

Objectives:

- 1 Children placed outside of the home are protected from abuse and neglect.
- 2 When in care, children are placed close to home, in the least restrictive setting, and in a stable environment.
- 3 Return children home or move them into an alternative permanency quickly.
- 4 Have a process in place to allow children to achieve their highest educational outcomes, given their capabilities and desires.
- 5 When in care, children receive appropriate and necessary physical and mental health care services.

Funds: General Revenue Fund, DCFS Children's Services Fund, DCFS Federal Projects Fund, DCFS Special Purposes Trust Fund **Statutory Authority: Children & Family Services Act**

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<u>Input Indicators</u>				
● Total expenditures - all sources (in thousands)	\$ 714,906.9	\$ 743,238.0	\$ 714,610.8	\$ 753,185.2
● Total expenditures - state appropriated funds (in thousands)	\$ 714,906.9	\$ 743,238.0	\$ 714,610.8	\$ 753,185.2
● Average monthly full-time equivalents	931.0	945.0	891.0	945.0
<u>Output Indicators</u>				
● Children in independent living	768.0	800.0	727.0	775.0
● Children in regular foster care	4,040	4,092	4,093	4,185
● Children in relative care	6,218	6,120	6,311	6,286
● Children in residential placements	1,286	1,340	1,331	1,325
● Children in specialized foster care	2,801	2,798	2,664	2,704
● Children with "return home" goal	6,864	6,980	6,854	6,922
● Children placed outside home (end of year) - paid placements	15,113	15,150	15,126	15,275
<u>Outcome Indicators</u>				
● Child cases closed	5,354	6,109	5,602	5,617
● Percentage of children returned home	16.2%	18.8%	15.5%	16.4%
● Percentage of children served within the year moved to permanency	30.1%	30.2%	29.4%	31.7%
● Percentage of sibling groups placed all or partially together	82.8%	82.8%	83.7%	83.3%
● Number of children returned home	2,112	2,435	2,025	2,156
● Median length of time open for children in substitute care (yrs)	2.1	2.1	2.1	2.1

Explanatory Information

Historical data will change as the reporting period becomes more fully observed.

Department of Children and Family Services - Accountability

Mission Statement: Ensures quality services are provided through Licensure and Monitoring activities. This includes licensing Day Care Centers, foster homes, child welfare agencies, and institutions. In addition, state staff oversee the provision of services by private agencies and conducts semi-annual reviews of all children in state custody.

Program Goals:

Objectives:

- 1 Enforce Licensure standards to ensure the health, safety and well-being of children and youth.
- 2 Monitoring to ensure quality child welfare services are delivered in a timely manner.
- 3 Promote permanency and continuity for every child in substitute care.

Funds: General Revenue Fund, DCFS Children's Services Fund

Statutory Authority: Children & Family Services Act

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<u>Input Indicators</u>				
Total expenditures - all sources (in thousands)	\$ 57,699.2	\$ 59,985.8	\$ 56,352.1	\$ 61,123.4
Total expenditures - state appropriated funds (in thousands)	\$ 57,699.2	\$ 59,985.8	\$ 56,352.1	\$ 61,123.4
Average monthly full-time equivalents	580.0	619.0	550.0	619.0
<u>Output Indicators</u>				
Total number of DCFS licensed child welfare agencies	167.0	170.0	169.0	170.0
Total number of licensed foster homes	11,500	11,228	11,307	11,490
Total number of licensed day care facilities	11,938	12,500	12,051	12,180
Total number of licensed institutions & group homes	201.0	200.0	200.0	191.0
Annual Case Reviews (ACR)held	17,732	18,165	17,941	18,120
<u>Outcome Indicators</u>				
Percentage of wards receiving required ACR's	96.2%	96.8%	97.7%	98.4%
Percentage of agency & institution licensing renewals completed	89.8%	90%	92.1%	86.9%
Percentage of agency performance monitoring reviews held (a)	N/A	N/A	N/A	98.7%

Explanatory Information

Historical data will change as the reporting period becomes more fully observed.

Footnotes

- a These reviews are new beginning in fiscal year 2015.

STATE OF ILLINOIS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
SCHEDULE OF INDIRECT COST REIMBURSEMENTS (UNAUDITED)

For the Years Ended June 30, 2014, 2013 and 2012

The Department negotiates indirect cost reimbursement rates with the U.S. Department of Health and Human Services (DHHS). The indirect cost rates are used to support claims for indirect costs pertaining to grants and contracts with the federal government. The Department contracts the rate proposal and negotiation process to a professional consultant.

The rates are approved by DHHS in accordance with OMB Circular A-87, subject to any statutory or administrative limitations. Initially, provisional rates are determined and used. Final rates are eventually determined, generating possible over/under recovery of indirect costs, which are considered as prior claims are adjusted.

Cost base: Direct salaries and wages excluding all fringe benefits.

	Rates			Actual Amounts Reimbursed for Indirect Costs		
				2014	2013	2012
	(b) FY14	(a) FY13	FY12			
Costs applicable to:						
Division of Support Services: Central Payment, FFP, Case Assignment and Day Care Unit	28.5%	28.5%	24.4%	\$ 271,985	\$ 269,737	\$ 255,184
Training	44.9%	44.9%	33.4%	\$ 149,697	\$ 146,014	\$ 133,380
Child Protection and Child Welfare Services	26.5%	26.5%	24.0%	\$ 3,808,748	\$ 3,810,994	\$ 3,524,171
Administrative Case Review	18.7%	18.7%	16.1%	\$ 268,384	\$ 258,665	\$ 278,510
Service Intervention including Housing & Cash Assistance, Placmt/Perm & Post Adopt	20.5%	20.5%	19.1%	\$ 381,963	\$ 559,147	\$ 607,603
Monitoring/Quality Assurance	20.1%	20.1%	18.0%	\$ 1,153,343	\$ 909,820	\$ 905,514
AFCARS/SACWIS	19.0%	19.0%	24.6%	\$ 130,977	\$ 202,465	\$ 184,586
Central Administration: Juvenile Court & Legal Permanency, and Child & Family Policy	17.3%	17.3%	16.1%	\$ 143,787	\$ 164,750	\$ 185,208
Clinical Services	20.3%	20.3%	18.1%	\$ 151,444	\$ 154,239	\$ 162,251
Office of the Guardian/Advocacy	20.9%	20.9%	18.4%	\$ 328,394	\$ 260,607	\$ 255,624
			Total	<u>\$ 6,788,721</u>	<u>\$ 6,736,438</u>	<u>\$ 6,492,029</u>

(a) Fiscal Year 2013 is last approved rate agreement.

(b) Provisional rate used until final rate is approved.