



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
LOCAL GOVERNMENT HEALTH INSURANCE RESERVE FUND

Financial Audit
For the Year Ended: June 30, 2011

Release Date: May 2, 2012

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This report covers our financial audit of the Local Government Health Insurance Reserve Fund for the year ended June 30, 2011.

SYNOPSIS

- The Department's year-end financial reporting contained weaknesses and inaccuracies.

{Expenditures and Activity Measures are summarized on the reverse page.}

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
LOCAL GOVERNMENT HEALTH INSURANCE RESERVE FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2011**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (expressed in thousands)	Fiscal Year 2011	Fiscal Year 2010
OPERATING REVENUES		
Charges for sales and services.....	\$ 52,596	\$ 53,027
OPERATING EXPENSES		
Benefit payments and refunds.....	52,789	55,663
Interest.....	109	-
Depreciation.....	-	3
General and administrative.....	1,895	1,931
Total operating expenses.....	<u>54,793</u>	<u>57,597</u>
Operating income (loss).....	(2,197)	(4,570)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income.....	16	33
Other revenues.....	<u>120</u>	<u>156</u>
Changes in net assets.....	(2,061)	(4,381)
Beginning Net Assets, July 1,.....	391	4,772
ENDING NET ASSETS, JUNE 30.....	<u>\$ (1,670)</u>	<u>\$ 391</u>

SUPPLEMENTARY INFORMATION	Fiscal Year 2011	Fiscal Year 2010
Number of local governmental entities participating.....	393	452
Approximate number of employees covered.....	4,151	4,839
Approximate number of dependents covered.....	2,719	3,093
Approximate number of retirees covered.....	271	320

AGENCY DIRECTOR
During Examination Period: Ms. Julie Hamos
Currently: Ms. Julie Hamos

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

FINANCIAL STATEMENT PREPARATION

Financial reporting contained weaknesses and inaccuracies

The Illinois Department of Healthcare and Family Services' (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller (Comptroller) contained weaknesses and inaccuracies. These problems, if not detected and corrected, could materially misstate the Local Government Health Insurance Reserve Fund's (Fund) financial statements.

Accounts payable overstated \$1.613 million

During our audit of the June 30, 2011 Fund's financial statements, we noted weaknesses in the financial accounting for, and reporting of, accounts payable. Specifically, the Department did not correctly calculate accounts payable resulting in an adjustment totaling \$1.613 million to reduce accounts payable. (Finding 1, pages 20-21 of the Financial Report)

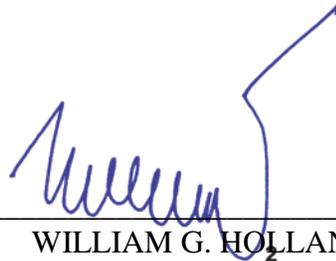
We recommended the Department implement additional internal control procedures to ensure GAAP Reporting Packages are accurately prepared.

Department agrees with auditors

Department officials concurred with our recommendation and stated that the Department is continually assessing the financial reporting process and implementing procedures to improve upon accuracy.

AUDITORS' OPINION

Our auditors state the financial statements of the Local Government Health Insurance Reserve Fund as of June 30, 2011, are fairly presented in all material respects.



WILLIAM G. HOLLAND

.. Auditor General

WGH:tld:rt

AUDITORS ASSIGNED

This audit was performed by the Office of the Auditor General's staff.