



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

**Financial Audit  
 For the Year Ended June 30, 2024**

**Release Date: February 10, 2026**

<b>FINDINGS THIS AUDIT: 8</b>				<b>AGING SCHEDULE OF REPEATED FINDINGS</b>			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>4</b>	<b>4</b>	<b>8</b>	2023	<b>3</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2022	<b>6</b>		
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2019	<b>2</b>		
<b>TOTAL</b>	<b>4</b>	<b>4</b>	<b>8</b>	2017	<b>1</b>		
<b>FINDINGS LAST AUDIT: 7</b>							

**SYNOPSIS**

- **(24-05)** The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) failed to perform revalidations required for ongoing provider enrollment.
- **(24-06)** The Department’s year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccuracies and omitted amounts affecting balances.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2024**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2024	FY 2023
<b>REVENUES</b>		
Program revenue: charges for service.....	\$ 321,717	\$ 193,385
Program revenue: operating grants.....	22,699,750	20,655,095
General revenue: taxes, interest and other.....	4,161,139	3,965,138
Total revenues.....	27,182,606	24,813,618
<b>EXPENDITURES</b>		
Health and social services.....	31,530,418	31,044,496
Debt service - principal.....	22,454	6,477
Debt service - interest.....	2,058	1,629
Capital outlays.....	218,355	139,591
Total expenditures.....	31,773,285	31,192,193
<b>OTHER SOURCES (USES)</b>		
Appropriations from State resources.....	10,757,350	9,213,476
Transfers in.....	63,200	40,600
Transfers out.....	(103,530)	(80,600)
Receipts collected & transmitted to the State Treasury.....	(4,853,597)	(3,947,852)
Lapsed appropriation.....	273,804	520,714
Other.....	71,753	84,879
Total other sources (uses).....	6,208,980	5,831,217
Net change in fund balance.....	1,618,301	(547,358)
Fund balance July 1.....	(363,904)	182,996
Restatement of beginning fund balances (deficits)/net position.....	(1,067,339)	-
Increase (Decrease) for change in inventories.....	(73)	458
Fund balance (deficit) June 30.....	\$ 186,985	\$ (363,904)
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)	June 30, 2024	June 30, 2023
<b>ASSETS</b>		
Cash and cash equivalents & investments.....	\$ 2,190,125	\$ 846,147
Due from other governments - federal & local.....	2,675,821	2,926,487
Loans, taxes and other receivables, net.....	1,871,018	1,782,346
Due from other Department and State funds.....	424,963	54,591
Inventories.....	385	458
Total assets.....	\$ 7,162,312	\$ 5,610,029
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Accounts payable and other liabilities.....	\$ 2,647,925	\$ 1,109,171
Unearned revenue.....	87,967	104,741
Obligations under securities lending of State Treasurer.....	225,882	129,250
Due to other funds - State, federal, local & Department.....	2,021,105	2,010,241
Deferred inflows of resources.....	1,992,448	2,620,530
Total liabilities and deferred inflows of resources.....	6,975,327	5,973,933
<b>FUND BALANCE (DEFICIT)</b>		
Fund balance (deficit).....	186,985	(363,904)
Total liabilities, deferred inflows of resources and fund balance (deficit).....	\$ 7,162,312	\$ 5,610,029
<b>AGENCY DIRECTOR</b>		
During Audit Period: Theresa Eagleson (7/1/22 - 12/31/23)		
Currently: Elizabeth M. Whitehorn (1/1/24 - Present)		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **FAILURE TO PERFORM PROVIDER REVALIDATIONS**

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) failed to perform revalidations required for ongoing provider enrollment.

Management of the Departments have a shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system is a multi-agency effort to implement a web-based system to give providers more convenient and consistent user experience and to ensure beneficiaries receive timely and high-quality Medicaid services. IMPACT is an automated system used by the Departments to accommodate provider enrollment approvals and all Medicaid claim payments to such providers.

The Departments are required to revalidate previously enrolled providers every five years. Due to the COVID-19 Public Health Emergency (PHE), the Centers of Medicare and Medicaid Services (Federal CMS) granted a waiver allowing the Departments to delay the revalidation process until after the conclusion of the PHE, or May 11, 2023. Guidance issued by Federal CMS provided additional time after the conclusion of the PHE to begin the revalidation process. As such, fiscal year 2024 was the first year the revalidation process was required to be completed.

**47,478 required revalidations were not performed**

We obtained from HFS a population of all providers, including the date the provider was enrolled/approved, original revalidation date (without consideration of the PHE), and if the provider is currently active or inactive. Based on our testing and discussion with HFS management, we determined 47,478 of 393,856 (12%) active providers should have been revalidated during fiscal year 2024. The Departments did not perform the revalidation process for any of these providers (100%).

We recommended the Departments strengthen internal controls to ensure providers are properly revalidated in accordance with the Code.

**The Departments accepted**

HFS accepted the recommendation and stated they will improve internal controls to ensure providers are revalidated as required.

DHS accepted the recommendation and stated they will continue to work with HFS to ensure revalidations are processed.

## **FINANCIAL STATEMENT PREPARATION WEAKNESSES**

The Department of Healthcare and Family Services' (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccuracies and omitted amounts affecting balances.

Some of the more significant issues noted were as follows:

During our audit of the Department's financial statements, we brought the following footnote error to the Department's attention. The Department subsequently corrected this error.

**Restricted balance of \$1.048 million not included in the footnote 2(q) disclosure**

- Footnote 2(q), Net Position: The Department had a restricted balance of \$1.048 million on the Statement of Net Assets which was not included in the footnote disclosure.

**Medicare Part D claims submitted by MCOs during FY20 – FY24 were not excluded from data ultimately transmitted to facilitate drug rebate invoicing**

Subsequent to year end, the Department identified an information technology (IT) system error that impacted invoices for drug claims identified as Medicare Part D for the Medicare Medicaid Alignment Initiative (MMAI). These claims, submitted by Managed Care Organizations (MCOs) during fiscal years 2020 through 2024, were not excluded from data ultimately transmitted to facilitate drug rebate invoicing. Inclusion of these claims resulted in the Department invoicing pharmaceutical manufacturers for rebate payments for Medicare Part D drugs that were ineligible for such rebates. For financial statement reporting purposes, drug rebates are reported as a reduction in expenditures. Therefore, expenditures were understated by \$1.073 billion. Due to the effect of correcting the error for fiscal years 2020 through 2023, the beginning fund balance/net position required a restatement as of June 30, 2023. Additional adjustments were necessary for the fiscal year 2024 balances.

**Expenditures understated by over \$1 billion**

**Capital asset reporting errors over \$57 million**

Additionally, the Department identified revisions necessary to capital assets related to subscription-based information technology agreements (SBITA) and intangible asset classifications. Due to the effect of correcting the classifications, the Department's financial statements required a restatement as of June 30, 2023 in multiple accounts with an overall impact to beginning net position of \$57.7 million.

Due to the capital asset revisions noted above, additional adjustments were necessary for fiscal year 2024.

**Ineffective communication between program and fiscal areas and external sources caused errors**

Furthermore, auditors noted the Department’s financial statements were compiled from various sources, including those within the Department and other third parties. The Department lacked effective communication between its program and fiscal areas and external sources, resulting in the untimely identification of information pertinent to the financial statements. As a result of ineffective communication, the preparation of the final financial statements was delayed and resulted in further adjustments as additional information became available. Additional analysis was performed to identify financial statement revisions. The errors noted were identified after revised detailed information was provided, resulting in multiple versions of the draft financial statements. The final revision was provided on July 23, 2025; however, the Department did not confirm this was the final revision until September 4, 2025.

**Final draft FY24 financial statements provided 388 days after year end**

We recommended the Department evaluate its methodologies in determining estimates for information not readily available at the time the financial statements are prepared and strengthen its internal controls to ensure its financial reporting is timely completed and in accordance with GAAP.

**Department accepted**

HFS accepted the recommendation and stated HFS fiscal staff will assist staff from the Office of the Comptroller, as requested, throughout development of the Annual Comprehensive Financial Report and Notes. The Department also stated they will also add staff focused on GAAP financial reporting and modify its GAAP processes to increase fiscal office review of information provided by various program area staff for financial reporting.

**OTHER FINDINGS**

The remaining findings pertain to inadequate general information technology controls over IES, inadequate disaster recovery controls over IES, inadequate controls over eligibility determinations and redeterminations, IES backlog untimeliness, lack of disaster recovery planning, and inadequate general information technology controls. We will review the Department’s progress towards the implementation of our recommendations in our next engagement.

**AUDITOR'S OPINIONS**

The auditors stated the financial statements of the Department of Healthcare and Family Services as of and for the year ended June 30, 2024 are fairly stated in all material respects.

This financial audit was performed by Sikich CPA LLC.

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COURTNEY DZIERWA  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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