



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HUMAN SERVICES

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

Release Date: February 10, 2026

FINDINGS THIS AUDIT: 9				AGING SCHEDULE OF REPEATED FINDINGS			
	<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>
Category 1:	4	5	9	2023	7		
Category 2:	0	0	0	2022	1		
Category 3:	0	0	0	2019	5		
TOTAL	4	5	9	2017	2, 6		
FINDINGS LAST AUDIT: 9							

SYNOPSIS

- **(24-01)** The Department does not have sufficient internal control over accounting for grant transactions resulting in material misstatements to the draft financial statements.
- **(24-08)** The Department of Human Services (DHS) and the Department of Healthcare and Family Services (HFS) (collectively, the “Departments”) did not maintain adequate internal controls to ensure initial applications for benefits, redeterminations of eligibility for benefits, and change documentation were reviewed and/or completed timely.

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 HUMAN SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

FINANCIAL INFORMATION - Governmental Funds (in thousands)	FY 2024	FY 2023
REVENUES		
Program revenue: charges for service.....	\$ 161,296	\$ 145,917
Program revenue: operating grants.....	7,625,972	9,334,668
General revenue: taxes, interest and other.....	320,555	132,355
Total revenues.....	8,107,823	9,612,940
EXPENDITURES		
Health and social services.....	14,971,385	15,252,907
General government.....	304,888	-
Debt service - principal.....	4,042	3,516
Debt service - interest.....	210	181
Capital outlays.....	66,645	55,287
Total expenditures.....	15,347,170	15,311,891
OTHER SOURCES (USES)		
Appropriations from State resources.....	8,380,620	6,907,589
Transfers in.....	816,328	565,037
Transfers out.....	(728,137)	(475,450)
Receipts collected & transmitted to the State treasury.....	(186,263)	(358,861)
Lapsed appropriation.....	(858,271)	(685,989)
Other.....	(10,173)	(25,434)
Total other sources (uses).....	7,414,104	5,926,892
Increase in fund balance.....	174,757	227,941
Fund balance July 1.....	515,745	285,785
Change within financial reporting entity (change in administering agency).....	507,058	-
Increase (Decrease) for change in inventories.....	(498)	2,019
Fund balance (deficit) June 30.....	\$ 1,197,062	\$ 515,745
SELECTED ACCOUNT BALANCES - June 30,		
Governmental funds (in thousands)	FY 2024	FY 2023
ASSETS		
Cash and cash equivalents & investments.....	\$ 1,158,640	\$ 917,298
Due from other governments - federal & local.....	279,180	250,436
Loans, taxes and other receivables, net.....	429	451
Due from other Department and State funds.....	653,096	110,617
Inventories.....	8,329	8,827
Other (Prepaid expenses, Recipient services and other receivables).....	685,540	439,447
Grant advances.....	109,716	-
Unexpended appropriations.....	663,467	560,857
Total assets.....	\$ 3,558,397	\$ 2,287,933
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	\$ 1,065,822	\$ 913,860
Unearned revenue.....	152,145	100,638
Due to other funds - State, federal, local & Department.....	488,226	273,282
Total liabilities and deferred inflows of resources.....	1,706,193	1,287,780
DEFERRED INFLOWS OF RESOURCES.....	655,142	484,408
FUND BALANCE.....	1,197,062	515,745
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 3,558,397	\$ 2,287,933
SECRETARY		
During Audit Period: Grace B. Hou (7/1/22 - 10/8/23); Dulce Quintero, Secretary Designate (9/1/23 - 2/3/2025)		
Currently: Dulce Quintero, Secretary Designate (9/1/23 - 2/3/2025); Secretary (2/4/2025 - Present)		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS OVER ACCOUNTING FOR FEDERAL AWARDS

The Department of Human Services (Department) does not have sufficient internal control over accounting for grant transactions resulting in material misstatements to the draft financial statements.

In preparing the SCO forms, the Department made errors in reporting expenditure amounts, including expenditure adjustments, and cash receipts, including lapse period receipts, for its federal award programs, resulting in errors in the financial statements for grant transactions. Additionally, based on audit procedures performed, the SCO forms for the fiscal year ended June 30, 2024 required multiple revisions throughout calendar year 2025.

For financial reporting purposes, the Department (Fiscal Services) tracks grant data for purposes of accruing grant receivables, unearned revenue, unavailable revenue and payable balances, all of which impact Federal Operating Grant Revenue, using Office of Comptroller required SCO forms including SCO563 Grant/Contract Analysis, SCO-567 Interfund Transfers – Grantee Agency, and SCO-568 Interfund Transactions – Grantor Agency.

In addition, the Department became the funding agent over five funds (Fund 0150 – Rental Housing Support Program, Fund 0286 – Illinois Affordable Housing Trust, Fund 0891 – Foreclosure Prevention, Fund 0892 – Residential Property Municipality Relief, and Fund 0971 – Build Illinois Fund) previously administered by the Illinois Department of Revenue (IDOR). When reporting the activity for these new funds, the Department did not properly track current year expenditures and revenues for financial reporting purposes in two of the funds.

Some of the most significant errors are as follows:

- In the Employment and Training Fund (0347), the ending Federal Operating Grant Revenue amount per the SCO-563 form did not agree to the trial balance. As a result, Federal Operating Grant Revenue was overstated by \$16.8 million which resulted in an understatement of Unearned Revenue.
- In the Illinois Affordable Housing Trust Fund (0286), grant funds provided to a subrecipient in advance of eligibility requirements being met were not reported correctly in the trial balance. Further, Total

**Federal Operating Grant Revenue
overstated by \$16.8 million**

Fund balance understated by \$261 million

Reimbursable Costs and Federal Operating Grant Revenue amounts per the SCO-567 and SCO-568 did not agree to the trial balance. As a result, Grant Advances were understated by \$21 million, General Government Expenditures were understated by \$240 million and beginning Committed Fund Balance was understated by \$261 million.

Federal Operating Grant Revenue understated by \$96.6 million

- In the State Cure Fund (0324), grant funds provided to a subrecipient in advance of eligibility requirements being met were not reported correctly in the trial balance. Further, Total Reimbursable Costs and Federal Operating Grant Revenue amounts per the SCO-567 and SCO-568 forms did not agree to the trial balance. As a result, Grant Advances were understated by \$88.7 million, General Government Expenditures were understated by \$41.8 million, Federal Operating Grant Revenue was understated by \$96.6 million and beginning fund balance was understated by \$130.2 million.

The errors reflected above were corrected in the final financial statements. In addition to the above, there were multiple uncorrected misstatements identified.

We recommended the Department strengthen its internal control over preparing the SCO Forms by including a reconciliation of Federal grant receipts and expenditures by ALN included in each SCO Form to the general ledger for each fund (the ERP System). Deposits of Federal draws should be recorded in the fund(s) that incurred the associated expenditures. Once prepared, balances reported in the SCO forms should be compared to the draft financial statements, by fund, to conclude if amounts are reasonable. Additionally, large balances in Due from Other Government – Federal, Unearned Revenue and Unavailable Revenue should be investigated as they are unusual for reimbursement type grant awards in which the Department can generally draw funds monthly upon the incurrence of qualifying expenditures.

Department accepted the recommendation

The Department accepted our recommendation and indicated corrective action is planned.

IES BACKLOG UNTIMELINESS

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the “Departments”) did not maintain adequate internal controls to ensure initial applications for benefits, redeterminations of eligibility for benefits, and change documentation were reviewed and/or completed timely.

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 Departments' Integrated Eligibility System (IES) is the automated system used by the Departments to intake, process (with the assistance of caseworkers), and approve assistance applications, maintenance items, Mid-Point Reports, and redetermination of eligibility as well as to make payments for the State's human service programs.

As part of our audit procedures, we tested the Departments' compliance with the federal time requirements for approving or denying applications, conducting redeterminations, and working any changes communicated by recipients for the Supplemental Nutritional Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Medical programs.

Initial Applications

Backlog of 107,702 initial applications

As of June 30, 2024, the Departments had a backlog of 63,789 medical applications, 30,396 SNAP related applications, and 13,517 TANF related applications, for which the determination of eligibility to receive benefits was not completed timely.

Redeterminations

Backlog of 46,596 redeterminations

As of June 30, 2024, the Departments had a backlog of 42,061 medical recipient redeterminations, 2,682 SNAP recipient redeterminations, and 1,853 TANF recipient redeterminations, for which the redetermination of eligibility to continue receiving benefits was not completed timely.

Change Documentation

Information for 4,381 cases not reviewed as of 6/30/24

When a recipient encounters a change in their situation, which may have an impact on eligibility, the recipient is to notify the Departments of such change. As of June 30, 2024, the Departments had a backlog of 4,381 cases in which information had been received but not reviewed. Because the Departments had not reviewed the information, the Departments did not know which program(s) might be impacted. As such, we were unable to determine the timeliness of processing the information.

We recommended management of both Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied timely. Additionally, the Departments should establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely. Furthermore, the Departments should establish appropriate controls to monitor and process change documentation as appropriate. Finally, the Departments should assign and train any additional personnel necessary so that

Departments accepted the recommendation

eligibility is performed within the timeframes required by the Code.

DHS accepted the recommendation and stated they will work with HFS to implement additional controls to ensure compliance with the requirement that applications are reviewed and approved or denied timely.

HFS accepted the recommendation and indicated corrective action implementation is ongoing.

OTHER FINDINGS

The remaining findings pertain to medical assistance program information, inadequate internal controls over cutoff of accounts payable and expenditures, inadequate internal controls over financial accounting and reporting, inadequate disaster recover controls over the Integrated Eligibility System (IES), inadequate general information technology controls over IES, inadequate controls over eligibility determinations and redeterminations, and failure to perform provider revalidation. 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 Human Services as of and for the year ended June 30, 2024 are fairly stated in all material respects.

This financial audit was performed by RSM US LLP.

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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