# State of Illinois
# Department of Human Services

Financial Audit
For the Year Ended June 30, 2022

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

**State of Illinois**
**Department of Human Services**
**Financial Audit**
**For the Year Ended June 30, 2022**

## Table of Contents

**State of Illinois**
**Department of Human Services**
**For the Year Ended June 30, 2022**

## Agency Officials

| | |
|---|---|
| Secretary | Grace B. Hou |
| Assistant Secretary (Operations) | Dulce Quintero |
| Assistant Secretary (Programs) | Vacant (1/1/22 – present)<br>Kia Coleman (through 12/31/21) |
| Budget Director | Tiffany Blair |
| Business Services Director | Paul Hartman |
| Chief of Staff | Amanda Elliot (12/24/22 – present)<br>Ryan Croke (through 12/23/22) |
| Chief Financial Officer | Robert Brock |
| Chief Operating Officer | Francisco DuPrey |
| Chief Internal Auditor | Amy Macklin |
| General Counsel | John F. Schomberg |
| Inspector General | Peter Neumer |

Agency main offices are located at:

100 South Grand Avenue, East
Springfield, Illinois 62762

401 South Clinton Street
Chicago, Illinois 60607

**State of Illinois**
**Department of Human Services**
**For the Year Ended June 30, 2022**

**Financial Statement Report**

## Summary

The audit of the accompanying basic financial statements of the State of Illinois, Department of Human Services (Department) was performed by RSM US LLP.

Based on their audit, the auditors expressed unmodified opinions on the Department's financial statements.

## Summary of Findings

| Number of | Current Report | Prior Report(s) |
|---|---|---|
| Findings | 8 | 10 |
| Repeated Findings | 6* | 9 |
| Prior Recommendations Implemented or Not Repeated | 5* | 4 |

*Prior GAS findings 2021-005 and 2021-006 have been combined into finding 2022-005.

| Item No. | Page | Last/First Reported | Description | Finding Type |
|---|---|---|---|---|
| | | | **Current Findings** | |
| 2022-001 | 78 | New | Inadequate Internal Controls over Accounting for Federal Awards | Material Weakness |
| 2022-002 | 84 | 2021/2017 | Medical Assistance Program Financial Information | Material Weakness and Noncompliance |
| 2022-003 | 87 | New | Other Accounts Receivable Misstatement | Material Weakness |
| 2022-004 | 89 | 2021/2019 | Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) | Material Weakness |
| 2022-005 | 91 | 2021/2017 | Inadequate General Information Technology Controls over IES | Material Weakness |
| 2022-006 | 95 | 2021/2019 | Detailed Agreement Between the Department of Human Services, the Department of Healthcare and Family Services and the Department of Innovation and Technology (DoIT) over IES not Finalized | Significant Deficiency |
| 2022-007 | 97 | 2021/2018 | Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Timely Execute Interagency Agreement | Material Weakness and Noncompliance |
| 2022-008 | 100 | 2021/2018 | Inadequate General Information Technology Controls over IMPACT | Material Weakness |

## Summary of Findings (Continued)

### Prior Findings Not Repeated

| Item No. | Page | Last/First Reported | Description |
|---|---|---|---|
| A | 103 | 2021/2017 | Lack of Adequate Controls over the Review of the Internal Controls over Service Providers |
| B | 103 | 2021/2021 | Weaknesses in Preparation of Year-End Department Financial Statements |
| C | 103 | 2021/2020 | Weaknesses in Internal Controls over Census Data |
| D | 103 | 2021/2017 | Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data |
| E | 104 | 2021/2020 | Inadequate Access Review Procedures for the Integrated Eligibility System (IES) |

## Exit Conference

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on July 17, 2023.

Attending were:

**Department of Human Services**

| | |
|---|---|
| Grace Hou | Secretary |
| Dulce Quintero | Assistant Secretary of Operations |
| Amanda Elliot | Chief of Staff |
| John Schomberg | General Counsel |
| Robert Brock | Chief Financial Officer |
| Mark Bartolozzi | Director of Fiscal Services |
| Tiffany Blair | Budget Director |
| Amy Macklin | Chief Internal Auditor |
| Sarah Eves | Bureau Chief of General Accounting |
| Albert Okwuegbunam | Audit Liaison |
| Christopher Finley | Audit Liaison |

**Office of the Auditor General**

| | |
|---|---|
| Janis Van Durme | Health and Human Services Audit Manager |

## Exit Conference (Continued)

**RSM US LLP**

| | |
|---|---|
| Linda Abernethy | Partner |
| Ryan Caldwell | Partner |
| Crystal Bruns | Supervisor |
| Adam Lanter | Supervisor |

The responses to the recommendations in findings 2022-001 through 2022-003 were provided by Chris Finley, Audit Liaison, in a correspondence dated July 18, 2023, and the responses to the recommendations in findings 2022-004 through 2022-008 were provided in a correspondence dated June 21, 2023.

The Department of Healthcare and Family Services (HFS) responses to the recommendations were provided by Theresa Eagleson, HFS Director, in a correspondence dated June 21, 2023.

RSM

**Independent Auditor's Report**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

**Report on the Audit of the Financial Statements**

***Opinions***

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department of Human Services (Department) of the State of Illinois (the State), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 of the Department of the State, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matters***

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 15, the financial statements have been restated for the implementation of GASB Statement No. 87, *Leases*. As a result of the implementation, right to use capital assets and lease obligations were restated as of July 1, 2021. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***
Management has omitted management's discussion and analysis, budgetary comparison information for the General Fund, and pension and other post-employment benefit (OPEB) related information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

***Supplementary Information***
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying supplementary information, which consists of combining statements and schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of agency officials but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2023 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's 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 Department's 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.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 24, 2023

## Statement of Net Position and Governmental Funds Balance Sheet

**June 30, 2022 (Expressed in Thousands)**

| | General Fund | Other Non-major Funds | Total Governmental Funds | Adjustments | Statement of Net Position |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Unexpended appropriations | $ 470,899 | $ 396 | $ 471,295 | $ - | $ 471,295 |
| Cash deposited with State Treasurer | 76,246 | 472,378 | 548,624 | - | 548,624 |
| Cash and cash equivalents | 203 | 5,736 | 5,939 | - | 5,939 |
| Securities lending collateral equity with State Treasurer | 11,829 | 17,809 | 29,638 | - | 29,638 |
| Investments | - | 527 | 527 | - | 527 |
| Due from other government - federal | 12,776 | 178,047 | 190,823 | - | 190,823 |
| Due from other government - local | - | 418 | 418 | - | 418 |
| Taxes receivable, net | - | 80 | 80 | - | 80 |
| Loans and notes receivable, net | - | 340 | 340 | - | 340 |
| Due from other Department funds | 24,018 | 34,154 | 58,172 | (58,172) | - |
| Due from other State funds | 41,977 | 10,652 | 52,629 | - | 52,629 |
| Inventories | 4,814 | 1,994 | 6,808 | - | 6,808 |
| Prepaid expenses | - | - | - | 160 | 160 |
| Recipient services and other receivables, net | 4,721 | 101,391 | 106,112 | - | 106,112 |
| Capital assets not being depreciated | - | - | - | 33,877 | 33,877 |
| Capital assets being depreciated, net | - | - | - | 240,863 | 240,863 |
| **Total assets** | 647,483 | 823,922 | 1,471,405 | 216,728 | 1,688,133 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred outflows of resources - OPEB | - | - | - | 448,327 | 448,327 |
| Deferred outflows of resources - SERS pensions | - | - | - | 1,072,822 | 1,072,822 |
| Deferred outflows of resources - TRS pensions | - | - | - | 250 | 250 |
| **Total deferred outflows of resources** | - | - | - | 1,521,399 | 1,521,399 |
| **Total assets and deferred outflows of resources** | $ 647,483 | $ 823,922 | $ 1,471,405 | | |
| **LIABILITIES** | | | | | |
| Accounts payable and accrued liabilities | 411,156 | 226,701 | 637,857 | - | 637,857 |
| Due to other government - federal | 2,870 | 43,931 | 46,801 | - | 46,801 |
| Due to other government - local | 4,142 | 14,290 | 18,432 | - | 18,432 |
| Due to other Department fiduciary funds | 12 | - | 12 | - | 12 |
| Due to other State fiduciary funds | 28 | 2,051 | 2,079 | - | 2,079 |
| Due to other Department funds | 33,679 | 24,493 | 58,172 | (58,172) | - |
| Due to other State funds | 76,578 | 35,606 | 112,184 | - | 112,184 |
| Due to State of Illinois component units | 3,917 | 8,287 | 12,204 | - | 12,204 |
| Unearned revenue | 26,557 | 73,241 | 99,798 | - | 99,798 |
| Obligations under securities lending of State Treasurer | 11,829 | 17,809 | 29,638 | - | 29,638 |
| Long-term obligations: | | | | | |
| Due within one year | - | - | - | 106,306 | 106,306 |
| Due subsequent to one year | - | - | - | 11,620,275 | 11,620,275 |
| **Total liabilities** | 570,768 | 446,409 | 1,017,177 | 11,668,409 | 12,685,586 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue | 10,928 | 157,515 | 168,443 | (168,443) | - |
| Deferred inflows of resources - OPEB | - | - | - | 2,065,213 | 2,065,213 |
| Deferred inflows of resources - SERS pensions | - | - | - | 680,692 | 680,692 |
| Deferred inflows of resources - TRS pensions | - | - | - | 532 | 532 |
| **Total deferred inflows of resources** | 10,928 | 157,515 | 168,443 | 2,577,994 | 2,746,437 |
| **FUND BALANCES/NET POSITION** | | | | | |
| Fund Balances (Deficit): | | | | | |
| Nonspendable | 4,814 | 3,098 | 7,912 | (7,912) | - |
| Restricted | 7,268 | 28,238 | 35,506 | (35,506) | - |
| Committed | 35,865 | 242,696 | 278,561 | (278,561) | - |
| Unassigned | 17,840 | (54,034) | (36,194) | 36,194 | - |
| Net Position (Deficit): | | | | | |
| Net investment in capital assets | - | - | - | 267,718 | 267,718 |
| Restricted for: | | | | | |
| Community developmental disabilities programs | - | - | - | 6,778 | 6,778 |
| Child care programs | - | - | - | 58,786 | 58,786 |
| Supplemental nutrition assistance program | - | - | - | 10,179 | 10,179 |
| Temporary assistance to needy families | - | - | - | 11,251 | 11,251 |
| Aid to the aged, blind and disabled | - | - | - | 11,129 | 11,129 |
| Vocational rehabilitation | - | - | - | 20,230 | 20,230 |
| Other health and social service programs | - | - | - | 40,512 | 40,512 |
| Restricted-funds held as permanent investments: | | | | | |
| Nonexpendable purposes | - | - | - | 1,104 | 1,104 |
| Expendable purposes | - | - | - | 332 | 332 |
| Unrestricted net position (deficit) | - | - | - | (12,650,510) | (12,650,510) |
| **Total fund balances/net position (deficit)** | 65,787 | 219,998 | 285,785 | $ (12,508,276) | $ (12,222,491) |
| **Total liabilities, deferred inflows and fund balances** | $ 647,483 | $ 823,922 | $ 1,471,405 | | |

The accompanying notes are an integral part of the basic financial statements.

**State of Illinois**
**Department of Human Services**
**Reconciliation of Governmental Funds Balance Sheet**
**to Statement of Net Position**
**June 30, 2022**
**(Expressed in Thousands)**

| | | |
|---|---|---|
| **Total fund balances - governmental funds** | | $ 285,785 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 274,740 |
| Prepaid expenses for governmental activities are current uses of financial resources in the governmental funds. | | 160 |
| Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the governmental funds. | | 168,443 |
| Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. These amounts consist of the following: | | |
| Net pension liability - SERS | (6,835,558) | |
| Net pension liability - TRS | (876) | |
| Deferred outflows of resources - SERS pensions | 1,072,822 | |
| Deferred outflows of resources - TRS pensions | 250 | |
| Deferred inflows of resources - SERS pensions | (680,692) | |
| Deferred inflows of resources - TRS pensions | (532) | (6,444,586) |
| Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in governmental funds since they do not provide or use current financial resources. These amounts consist of the following: | | |
| Net OPEB Liability | (4,807,309) | |
| Deferred outflows of resources - OPEB | 448,327 | |
| Deferred inflows of resources - OPEB | (2,065,213) | (6,424,195) |
| Other 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: | | |
| Lease obligations | (7,022) | |
| Compensated absences | (75,816) | (82,838) |
| **Net position (deficit) of governmental activities** | | $ (12,222,491) |

The accompanying notes are an integral part of the basic financial statements.

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

**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | General Fund | Other Non-major Funds | Total Governmental Funds | Adjustments | Statement of Activities |
|---|---|---|---|---|---|
| Expenditures/expenses: | | | | | |
| Health and social services | $ 5,147,539 | $ 9,295,830 | $ 14,443,369 | $ (377,938) | $ 14,065,431 |
| Debt service - principal | 2,344 | 796 | 3,140 | (3,140) | - |
| Debt service - interest | 147 | 81 | 228 | - | 228 |
| Capital outlays | 38,618 | 1,073 | 39,691 | (39,691) | - |
| **Total expenditures/expenses** | 5,188,648 | 9,297,780 | 14,486,428 | (420,769) | 14,065,659 |
| Program revenues: | | | | | |
| Charges for services: | | | | | |
| Licenses and fees | 93 | 4,736 | 4,829 | - | 4,829 |
| Other charges for services | 89 | 41,381 | 41,470 | (10,291) | 31,179 |
| Total charges for services | 182 | 46,117 | 46,299 | (10,291) | 36,008 |
| Operating grant revenue: | | | | | |
| Federal operating grants | 572,802 | 8,835,193 | 9,407,995 | 5,959 | 9,413,954 |
| Other operating grants | - | 207 | 207 | (74) | 133 |
| Total operating grant revenue | 572,802 | 8,835,400 | 9,408,202 | 5,885 | 9,414,087 |
| **Total program revenues** | 572,984 | 8,881,517 | 9,454,501 | (4,406) | 9,450,095 |
| **Net program expense** | | | | | (4,615,564) |
| General revenues and transfers: | | | | | |
| General revenues: | | | | | |
| Federal operating grants | 58,846 | 96,977 | 155,823 | - | 155,823 |
| Interest and investment income | 448 | (692) | (244) | - | (244) |
| Other taxes | - | 533 | 533 | - | 533 |
| Other revenues | 623 | 8,467 | 9,090 | - | 9,090 |
| Appropriations from State resources | 6,113,828 | 6,692 | 6,120,520 | - | 6,120,520 |
| Lapsed appropriations | (871,029) | (4,802) | (875,831) | - | (875,831) |
| Receipts collected and transmitted to State Treasury | (391,234) | (1,214) | (392,448) | - | (392,448) |
| Loss on disposition of capital assets | - | - | - | (242) | (242) |
| Leases issued | 3,538 | 320 | 3,858 | (3,858) | - |
| Transfers: | | | | | |
| Net capital transfers and other adjustments | - | - | - | (10,711) | (10,711) |
| Amount of SAMS transfers-in | (29,849) | - | (29,849) | - | (29,849) |
| Amount of SAMS transfers-out | 16,789 | - | 16,789 | - | 16,789 |
| Transfers-in | 20,918 | 395,644 | 416,562 | (327,794) | 88,768 |
| Transfers-out | (312,221) | (16,939) | (329,160) | 327,794 | (1,366) |
| **Total general revenues and transfers** | 4,610,657 | 484,986 | 5,095,643 | (14,811) | 5,080,832 |
| Excess of revenues and transfers-in over expenditures and transfers-out | (5,007) | 68,723 | 63,716 | (63,716) | - |
| Change in net position | - | - | - | 465,268 | 465,268 |
| Fund balance (deficit) /net position (deficit), July 1, 2021 | 71,294 | 151,957 | 223,251 | (12,911,010) | (12,687,759) |
| Increase (decrease) for changes in inventories | (500) | (682) | (1,182) | 1,182 | - |
| Fund balance /net position (deficit), June 30, 2022 | $ 65,787 | $ 219,998 | $ 285,785 | $ (12,508,276) | $ (12,222,491) |

The accompanying notes are an integral part of the basic financial statements.

**State of Illinois**
**Department of Human 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, 2022**
**(Expressed in Thousands)**

| | | |
|---|---|---|
| **Net change in fund balances** | $ 63,716 | |
| Change in inventories | (1,182) | $ 62,534 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. | | |
| Capital expenditures | 39,691 | |
| Depreciation | (40,932) | |
| Losses on disposals of capital assets | (242) | (1,483) |
| Transfers of capital assets from (to) other State agencies and other adjustments do not provide current financial resources and, therefore, are not reported in governmental funds. | | (10,711) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 3,465 |
| Some capital additions were financed through leases. In governmental funds, leases are considered a source of financing, but in the Statement of Net Position the capital lease is reported as a liability. | | (3,858) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | (4,406) |
| Pension related liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following: | | |
| Decrease in net pension liability - SERS pensions | 362,812 | |
| Increase in net pension liability - TRS pensions | (60) | |
| Change in deferred inflows | (440,838) | |
| Change in deferred outflows | 161,627 | 83,541 |
| Retirement benefits other than pensions (OPEB) liabilities and deferrals are not reported in the governmental funds since they do not provide or use current financial resources. Changes in these amounts consist of the following: | | |
| Decrease in OPEB liability | 1,748,896 | |
| Change in deferred inflows | (1,289,734) | |
| Change in deferred outflows | (123,432) | 335,730 |
| Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds. | | (14) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Below are such activities. | | |
| Retroactive pay under contract settlement | | |
| Decrease in compensated absences obligation | | 470 |
| **Change in net position (deficit) of governmental activities** | | $ 465,268 |

The accompanying notes are an integral part of the basic financial statements.

*State of Illinois*
*Department of Human Services*
# Statement of Fiduciary Net Position
**June 30, 2022 (Expressed in Thousands)**

| | Private Purpose Trust Funds<br>Student College Loan<br>1409 | Custodial Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,107 | $ 5,314 |
| Investments | - | 894 |
| Due from other government - federal | - | 29 |
| Loans and notes receivable | 31 | - |
| Due from other Department funds | - | 12 |
| **Total assets** | 1,138 | 6,249 |
| **LIABILITIES** | | |
| **Total liabilities** | - | - |
| **NET POSITION** | | |
| Held in trust and other purposes | 1,138 | - |
| Restricted for Individuals | - | 6,249 |
| **Total net position** | $ 1,138 | $ 6,249 |

The accompanying notes are an integral part of the basic financial statements.

***State of Illinois***

***Department of Human Services***

# Statement of Changes in Fiduciary Net Position

**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Private Purpose Trust Funds | |
|---|---|---|
| | **Student College Loan 1409** | **Custodial Funds** |
| **Additions:** | | |
| Investment income | $ 3 | $ 87 |
| Resident deposits received | - | 2,501 |
| Other additions | 1 | 23 |
| **Total additions** | 4 | 2,611 |
| **Deductions:** | | |
| Custodial fund disbursed | - | 3,736 |
| Other deductions | - | 18 |
| **Total deductions** | - | 3,754 |
| **Net Increase (decrease) in fiduciary net position** | 4 | (1,143) |
| Net position, July 1, 2021 | 1,134 | 7,392 |
| **Net position, June 30, 2022** | $ 1,138 | $ 6,249 |

The accompanying notes are an integral part of the basic financial statements.

## NOTE (1) - Organization

The Department of Human Services (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 Illinois General Assembly in which resources primarily from the State's General 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 Office of Comptroller) 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, excluding all locally-held funds authorized by State law.

The Department is organized to assist Illinois residents to achieve self-sufficiency, independence and health to the maximum extent possible by providing integrated family-oriented services, providing preventive care programs and establishing measurable outcomes in partnership with communities.

## NOTE (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*

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's Annual Comprehensive Financial Report may be obtained by accessing the Office of Comptroller's website – https://illinoiscomptroller.gov/financial-reports-data/find-a-report/comprehensive-reporting/annual-comprehensive-financial-report.

The Department does not currently report any component units.

### *(b) Basis of Presentation*

The financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund 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, 2022 and the changes in financial position for the year then ended in conformity with GAAP.

The financial activities of the Department, which consist primarily of governmental activities, are reported under the health and social services function in the State's Annual Comprehensive 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 government-wide statement of net position and statement of activities of the Department consist only of governmental activities, which are primarily supported by appropriations from the State and Federal operating grant revenues.

The statement of net position presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 subsequent to one year.

The statement of activities presents a comparison between direct expenses and program revenues for the health and social services function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and all amounts related to State appropriations, are presented as general revenues.

***Fund Financial Statements*:** The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on the major governmental fund, which is displayed in a separate column. Major funds are determined by the Office of Comptroller. All remaining governmental funds are aggregated and reported as non-major funds.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds) of the State of Illinois' Financial Report – see note 2(d).

***General*** – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include, among others, 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's portion of the General Fund is composed of a primary sub-account (General Revenue) and nine secondary sub-accounts (Illinois Veterans' Rehabilitation, Special Olympics Illinois and Special Children's Charities, Home Services Medicaid Trust, Community Developmental Disabilities Services Medicaid Trust, State Coronavirus Urgent Remediation Emergency (CURE), Care Provider Fund for Persons with a Developmental Disability, Health and Human Services Medicaid Trust, Commitment to Human Services, and Community Mental Health Medicaid Trust).

Additionally, the Department reports the following fund types:

***Governmental Fund Types*:**

***Special Revenue*** – These funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditure for specified purposes* other than debt service or capital projects. The Department does not have any major special revenue funds to disclose.

***Permanent*** – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens. The Department does not have any major permanent funds to disclose.

***Fiduciary Fund Types***:

***Private Purpose Trust*** – These funds account for resources held in a trust for which the Department itself is not a beneficiary. The resources are dedicated to providing benefits to individuals the Department serves. All resources of these funds, including any earnings on invested resources, may be used to support these individuals.

***Custodial*** – These funds account for receipts from individuals or groups of individuals at the Department's mental health and developmental centers, and schools. These funds are collected by the Department, acting in a custodial capacity, for distribution to designated beneficiaries.

### *(c) Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the Fiscal Year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues, as defined above, 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 Department 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 debt, including lease liabilities as well as claims and judgments, other post-employment benefits (OPEB), pension benefits and compensated absences are recorded only when payment is due. Capital asset acquisitions and principal retirements are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include intergovernmental grants, charges for services, and interest. All other revenue sources including fines, licenses and fees and other revenues are considered to be measurable only when cash is received.

### *(d) Shared Fund Presentation*

The financial statement presentation for the General Revenue, State Coronavirus Urgent Remediation Emergency (CURE), Care Provider Fund for Persons with a Developmental Disability, and Commitment to Human Services subaccounts of the General Fund, and the Tobacco Settlement Recovery and Maternal and Child Health Services Block Grant, non-major governmental funds, 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' 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 expenditure transactions processed by the Office of Comptroller after June 30 annually in accordance with Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent Fiscal Year and voucher, interfund payment, and mandatory SAMS transfer transactions held by the Office at June 30.

***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) for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

***Receipts collected and transmitted to State Treasury*** – This "other financing use" account represents all cash receipts received during the Fiscal Year according to SAMS records.

***Amount of SAMS transfers-in*** – This "other financing use" account represents cash transfers made by the Office of Comptroller in accordance with statutory provisions to the corresponding fund during the Fiscal Year per SAMS records in which the Department did not make a deposit into the State Treasury.

***Amount of SAMS transfers-out*** – This "other financing source" account represents cash transfers made by the Office of Comptroller in accordance with statutory provisions from the corresponding fund during the Fiscal Year per SAMS records in which a legally adopted appropriation was not charged.

### *(e) Eliminations*

Eliminations have been made in the government-wide statement of net position and statement of activities to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department, and to eliminate transfers between funds of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position.

Similarly, amounts reported in the governmental funds statement of revenues, expenditures and changes in fund balance as transfers in and transfers out have been eliminated in the government-wide statement of activities. 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 3 months or less at the time of purchase. Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, cash invested in the Illinois Funds and money market accounts for locally held funds.

### *(g) Investments*

Most investments are reported at fair value. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments at amortized cost. Investments in Illinois Funds are valued at share price, which is the price the investment could be sold for.

### *(h) Inventories*

For governmental funds, the Department recognizes the costs of inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories, consisting primarily of food and drugs maintained at the mental health and developmental centers, in governmental funds and are reported at weighted average cost. Inventories reported in governmental funds do not reflect current appropriable resources, and therefore, the Department reports an equivalent portion of fund balance as non-spendable.

### *(i) Prepaid Items*

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as expenditures in the governmental funds and as prepaid expenses in the government-wide statement of net position.

### *(j) Interfund Transactions*

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

***Interfund Borrowings –*** Interfund loans made in accordance with State statute that are to be repaid with interest to the lender fund. Interfund borrowings are reported as “due to other funds” in lender funds and “due from other funds” in borrower funds.

***Services Provided and Used –*** Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide statement of net position.

***Designated Revenues*** – Revenues specifically restricted or committed by State statute initially received by another fund and subsequently distributed to a special revenue fund. Designated revenues are reported as revenues in the receiving special revenue fund and a reduction of revenues in the fund of initial deposit.

***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 uses of financial resources in the funds making transfers and as other sources of financial resources 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 for State and Federal programs.

### *(k) Capital Assets*

Capital assets, which include property, plant, equipment, and intangibles are reported at cost or estimated historical cost. Capital assets transferred from other State agencies are recorded at their carryover basis. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated/amortized using the straight-line method.

Capitalization thresholds (amounts expressed in whole dollars) and the estimated useful lives are as follows:

| Capital Asset Category | Capitalization Threshold | Estimated Useful Life (in Years) |
|---|---|---|
| Land | $ 100,000 | N/A |
| Land Improvements | 25,000 | N/A |
| Site Improvements | 25,000 | 3 - 50 |
| Buildings | 100,000 | 10 - 60 |
| Building Improvements | 25,000 | 10 - 45 |
| Equipment | 5,000 | 3 - 25 |
| Purchased Computer Software | 25,000 | 3 - 5 |
| Internally Generated Computer Software | 1,000,000 | 5 - 20 |

### *(l) Leases*

The Department is a lessee for non-cancellable leases of equipment. The Department recognizes a lease liability and an intangible right to use lease asset in the government-wide financial statements. The Department recognizes lease liabilities with an initial, individual value of $25,000 or more. At the commencement of a lease, the Department initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the asset useful life or the lease term.

### *(m) Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. 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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues in governmental funds include receivables not “available” to finance the current period.

### *(n) 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 is calculated based on the employees' salary at June 30 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.

### *(o) Pensions*

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual amortization of pension related deferred outflows and inflows of resources.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

In the governmental fund financial statements, pension expenditures represent amounts paid to the pension plan and the change between the beginning and ending balances of amounts owed to the plan for contributions.

### *(p) Post-Employment Benefits Other Than Pensions ("OPEB")*

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period (see Note 10). The liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements. In the governmental fund financial statements, OPEB expenditures represent amounts paid for OPEB as they become due and payable.

### *(q) Fund Balances*

For the year ended June 30, 2022, components of fund balance include the following captions:

***Nonspendable*** – Fund balance component resulting from portions of net resources that cannot be spent because of their form or because they must be legally or contractually maintained intact.

***Restricted*** – Fund balance component resulting from enforceable external limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments as well as limitations imposed by law through constitutional provision or enabling legislation.

***Committed*** – Fund balance component resulting from self-imposed limitations set in place prior to the end of the reporting period. The limitations are imposed at the highest level of decision-making authority that requires formal action at the same level to remove. For the Department, the State Legislature is the highest level of decision-making. In order to commit fund balance for a specific purpose, the State Legislature must enact a law specifying the commitment.

***Unassigned*** – Total fund balance in the General Fund in excess of non-spendable, restricted, and committed fund balance, and deficit residual fund balances in other governmental funds.

If there is an expenditure incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available, the Department considers restricted fund balance to be spent before unrestricted fund balance. In addition, if there is an expenditure incurred for which committed, assigned or unassigned fund balance may be used, the Department considers committed fund balance to be spent before assigned fund balance and assigned fund balance to be spent before unassigned fund balance.

### *(r) Net Position (Deficit)*

Net position (deficit) represents the difference of assets plus deferred outflows and liabilities plus deferred inflows of resources. In the government-wide statement of net position, equity is displayed in three components as follows:

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

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

***Unrestricted*** – This consists of net position (deficit) that does not meet the definition of "restricted" or "net investment in capital assets".

***(s) 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***(t) Recent and Future Accounting Pronouncements***

Effective for the year ending June 30, 2022, the Department adopted the following GASB statements:

Statement No. 87, *Leases*, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The impact of implementing this statement has been disclosed in Note 8.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The impact of this statement had no financial impact on the Department's net position or results of operations.

The portion of Statement No. 92, *Omnibus 2020*, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements related to (a) intra-entity transfers of assets, (b) reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet specified criteria, (c) applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements, (d) exception to acquisition value in a government acquisition and (e) nonrecurring fair value measurements. The impact of this statement had no financial impact on the Department's net position or results of operations.

The portion of Statement No. 93, *Replacement of Interbank Offered Rates*, which is intended to remove the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate. The impact of this statement had no financial impact on the Department's net position or results of operations.

The portion of Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, which is intended to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The impact of this statement had no financial impact on the Department's net position or results of operations.

The portion of GASB Statement No. 99, *Omnibus 2022*, related to extending the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 were effective upon issuance in April 2022. The implementation of this statement had no financial impact on the Department's net position or results of operations.

Effective for the year ending June 30, 2023, the Department will adopt the following GASB statements:

Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Upon the Department's adoption of Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of the statement was delayed for the Department until the Fiscal Year ended June 30, 2023.

Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, which is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

The portion of Statement No. 99, *Omnibus 2022*, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements.

Effective for the year ending June 30, 2024, the Department will adopt the following GASB statements:

The portion of Statement No. 99, *Omnibus 2022*, related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No 53.

Statement No. 100, *Accounting Changes and Error Corrections*, which is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Effective for the year ending June 30, 2025, the Department will adopt the following GASB statements:

Statement No. 101, *Compensated Absences*, which is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Department has not yet determined the impact of adopting these statements on its financial statements.

## NOTE (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 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. Details on the nature of these deposits and investments are available within the State of Illinois' Annual Comprehensive Financial Report.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department is required by the State Officers and Employees Money Disposition Act (30 ILCS 230/2c) to obtain a bond, pledged securities, or other eligible collateral equal to or greater than the uninsured portion of the deposit. Deposits for locally-held funds had a carrying amount of $11.631 million ($5.396 million and $6.235 million reported in governmental activities and fiduciary funds, respectively).

The total bank balance was not exposed to custodial credit risk.

### *(b) Investments*

The Department has $2.108 million invested with the Illinois Funds ($1.059 million in Governmental Activities and $1.049 million in Fiduciary Funds). The Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures for financial reporting purposes all its investments at amortized cost. The fair value of the pool position is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from the pool.

The Department is authorized by Illinois State Statute to invest in the following:

1. Obligations of the U.S. Treasury, its agencies, and instrumentalities
2. Savings accounts, certificates of deposit, or time deposits that are direct obligations of any bank that is insured by the Federal Deposit Insurance Corporation
3. Commercial paper noted within the three highest classifications by at least two standard rating services
4. Obligations of states and their political subdivisions
5. Shares or other securities issued by savings and loan associations that are insured by the Federal Savings and Loan Insurance Corporation
6. Insured accounts of a credit union whose principal office is located in the State of Illinois
7. Illinois Funds Money Market Fund
8. Money market mutual funds where the portfolio is limited to U.S. government securities
9. Repurchase agreements where the Department or its authorized third-party agent takes possession of the securities

***Interest Rate Risk*** – The Department's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk*** – The Department's investment policy does not address credit risk. The Illinois Funds was rated AAAmmf by Fitch Ratings.

***Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position***

The amounts reported as investments in the statement of net position and the statement of fiduciary net position contain certain long-term deposits to reflect their lack of liquidity. A reconciliation (amounts expressed in thousands) follows:

| | Cash and Cash Equivalents/ Deposits | Investments |
|---|---|---|
| ***Governmental Activities*** | | |
| Amounts per note 3 (a) and 3 (b) | $ 5,396 | $ 1,059 |
| Deposits held for investment purposes | (527) | 527 |
| Cash equivalents | 1,059 | (1,059) |
| Petty cash | 11 | - |
| **Amounts per Statement of Net Position** | $ 5,939 | $ 527 |
| ***Fiduciary Funds*** | | |
| Amounts per note 3 (a) and 3 (b) | $ 6,235 | $ 1,049 |
| Deposits held for investment purposes | (894) | 894 |
| Cash equivalents | 1,049 | (1,049) |
| Petty cash | 31 | - |
| **Amounts per Statement of Fiduciary Net Position** | $ 6,421 | $ 894 |

## NOTE (4) - Other Receivables

Recipient services and other receivables, net at June 30, 2022 (amounts expressed in thousands) consisted of the following:

| | Governmental Funds | | |
|---|---|---|---|
| **Revenue Source** | **General Fund** | **Nonmajor Funds** | **Fiduciary Funds** |
| Fines | $ - | $ 19 | $ - |
| Rebates | - | 7,208 | - |
| Recipient services and recoveries | 8,530 | 360,757 | - |
| Public assistance recoveries | 7,722 | 1,448 | - |
| Interest and other Income | 68 | 104 | - |
| Total other receivables | 16,320 | 369,536 | - |
| Allowance for uncollectible amounts | (11,599) | (268,145) | - |
| **Other receivables, net** | $ 4,721 | $ 101,391 | $ - |

## NOTE (5) - Securities Lending Transactions

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 AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2022, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities 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 Fiscal Year 2022 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during Fiscal Year 2022 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2022, 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 AG and marked to market daily at no less than 102%. 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, *Accounting and Financial Reporting for Securities Lending Transactions,* paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2022 arising from securities lending agreements to the various funds of the State. The total allocated to the Department as of June 30, 2022 was $29.638 million.

## NOTE (6) - Interfund Balances and Activity

### *(a) Balances Due from/to Other Funds*

The following balances (amounts expressed in thousands) at June 30, 2022 represent amounts due from other Department and State of Illinois funds:

| | Due from Other | | |
|---|---|---|---|
| Fund Type | Department Funds | State Funds | Description/Purpose |
| General | $ 24,018 | $ 41,977 | See comment that follows |
| Nonmajor governmental | 34,154 | 10,652 | See comment that follows |
| | $ 58,172 | $ 52,629 | |

***General*** - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for unremitted federal grant funds and expenditure reimbursements.

***Non-major governmental*** - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

The following balances (amounts expressed in thousands) at June 30, 2022 represent amounts due to other Department and State of Illinois funds:

| | Due to Other | | | | |
|---|---|---|---|---|---|
| Fund Type | Department Funds | Department Fiduciary | State Funds | State Fiduciary | Description/Purpose |
| General | $ 33,679 | $ 12 | $ 76,578 | $ 28 | See comment that follows |
| Nonmajor governmental | 24,493 | - | 35,606 | 2,051 | See comment that follows |
| | $ 58,172 | $ 12 | $ 112,184 | $ 2,079 | |

**General –** Due to other Department funds and other Department fiduciary funds for expenditure reimbursements, other State funds for expenditure reimbursements and excess federal grant deposits, and other State fiduciary funds for post-employment benefits.

**Non-major governmental** – Due to other Department funds for required transfers and expenditure reimbursements, other State funds for expenditure reimbursements and other State fiduciary funds for post-employment benefits.

### *(b) Transfers from/to Other Funds*

Interfund transfers-in (amounts expressed in thousands) for the year ended June 30, 2022 were as follows:

| | **Transfers in from Other** | | | |
|---|---|---|---|---|
| **Fund Type** | **Department Funds** | **State Funds** | **Total** | **Description/Purpose** |
| General | $ - | $ 20,918 | $ 20,918 | Transfers from other State funds pursuant to statute and annual appropriations. |
| Nonmajor governmental | 327,794 | 67,850 | 395,644 | Transfers from other Department funds and other State funds pursuant to statute, annual appropriations, and transfers of federal grant monies. |
| **Totals** | $ 327,794 | $ 88,768 | $ 416,562 | |

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2022 were as follows:

| | **Transfers out to Other** | | | |
|---|---|---|---|---|
| **Fund Type** | **Department Funds** | **State Funds** | Total | **Description/Purpose** |
| General | $ 312,221 | $ - | $ 312,221 | Transfers to other Department funds pursuant to statute and transfer of federal grant monies. |
| Nonmajor governmental | 15,573 | 1,366 | 16,939 | Transfers to other Department funds and State funds pursuant to statute and transfer of federal grant monies. |
| **Totals** | $ 327,794 | $ 1,366 | $ 329,160 | |

***(c) Balances due from/to State of Illinois Component Units***

The following balances (amounts expressed in thousands) at June 30, 2022 represent amounts due to/from State of Illinois component units for reimbursement for expenses incurred:

| | Due From Amounts | Due to Amounts | |
|---|---|---|---|
| **Component Unit** | **Nonmajor Governmental Funds** | **General Fund** | **Nonmajor Governmental Funds** |
| Toll Highway Authority | $ - | $ 4 | $ - |
| Housing Development Authority | - | 83 | - |
| Chicago State University | - | 7 | - |
| Eastern Illinois University | - | 174 | 155 |
| Governors State University | - | 24 | 94 |
| Northeastern Illinois University | - | 44 | 78 |
| Western Illinois University | - | - | 264 |
| Illinois State University | - | 13 | 1 |
| Northern Illinois University | - | 19 | 16 |
| Southern Illinois University | - | 173 | 1,306 |
| University of Illinois | - | 3,376 | 6,373 |
| **Totals** | $ - | $ 3,917 | $ 8,287 |

## NOTE (7) - Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2022, was as follows:

| | Balance July 1, 2021, as restated | Additions | Deletions | Net Transfers | Balance June 30, 2022 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated/amortized:** | | | | | |
| Land and land improvements | $ 2,889 | $ - | $ - | $ - | $ 2,889 |
| Construction in progress | 19,614 | 167 | 210 | 11,417 | 30,988 |
| Internally generated intangible assets in development | - | 30,756 | - | (30,756) | - |
| **Total capital assets not being depreciated/amortized** | 22,503 | 30,923 | 210 | (19,339) | 33,877 |
| **Capital assets being depreciated/amortized:** | | | | | |
| Site improvements | 78,486 | - | 253 | - | 78,233 |
| Buildings and building improvements | 564,107 | - | 1,813 | 8,595 | 570,889 |
| Equipment | 36,746 | 4,910 | 2,772 | 33 | 38,917 |
| Right-to-use equipment | 6,304 | 3,858 | - | - | 10,162 |
| Non-internally generated software | 204 | - | - | - | 204 |
| Internally generated software | 276,045 | - | - | - | 276,045 |
| **Total capital assets being depreciated/amortized** | 961,892 | 8,768 | 4,838 | 8,628 | 974,450 |
| **Less accumulated depreciation/amortization:** | | | | | |
| Site improvements | 76,589 | 565 | 253 | - | 76,901 |
| Buildings and building improvements | 472,032 | 7,519 | 1,812 | - | 477,739 |
| Equipment | 25,487 | 2,833 | 2,741 | - | 25,579 |
| Right-to-use equipment | - | 3,229 | - | - | 3,229 |
| Non-internally generated software | 204 | - | - | - | 204 |
| Internally generated software | 123,149 | 26,786 | - | - | 149,935 |
| **Total accumulated depreciation/amortization** | 697,461 | 40,932 | 4,806 | - | 733,587 |
| **Total capital assets being depreciated/amortized, net** | 264,431 | (32,164) | 32 | 8,628 | 240,863 |
| **Total capital assets, net** | $ 286,934 | $ (1,241) | $ 242 | $ (10,711) | $ 274,740 |

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2022, was charged as follows:

| | |
|---|---|
| Health and social services | $40,932 |

## NOTE (8) - Long-term Obligations

### *(a) Changes in Long-term Obligations*

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2022 were as follows:

| | July 1, 2021, as restated | Additions | Deletions | June 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|
| Other long-term obligations: | | | | | |
| Compensated absences | $ 76,286 | $ 106,837 | $ 107,307 | $ 75,816 | $ 6,278 |
| Leases | 6,304 | 3,858 | 3,140 | 7,022 | 3,301 |
| OPEB liability | 6,556,205 | - | 1,748,896 | 4,807,309 | 96,727 |
| Net pension liability - SERS | 7,198,370 | - | 362,812 | 6,835,558 | - |
| Net pension liability - TRS | 816 | 60 | - | 876 | - |
| **Totals** | $ 13,837,981 | $ 110,755 | $ 2,222,155 | $ 11,726,581 | $ 106,306 |

Compensated absences will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Net pension liabilities and OPEB liabilities will be liquidated though the General Revenue Fund, and the special revenue funds that report wages. The lease obligations will be liquidated primarily by the General Revenue Fund.

### *(b) Leases*

Lessee arrangements

The Department has entered into various leases for right-to-use equipment with remaining lease terms ranging from less than one year to 3 years. Although lease terms vary, certain leases are renewable subject to appropriation by the Illinois General Assembly. If renewal is reasonably assured, leases requiring appropriation by the Illinois General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-to-use asset or lease liability balance until they are reasonably certain of exercise.

At June 30, 2022, right-to-use assets under leases are as follows:

Lease values (amounts expressed in thousands)

| | |
|---|---|
| Equipment | $ 10,162 |
| Less: Accumulated amortization | 3,229 |
| | $ 6,933 |

The discounted future minimum commitments for non-cancelable leases as of June 30, 2022, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 3,301 | $ 162 | $ 3,463 |
| 2024 | 2,578 | 72 | 2,650 |
| 2025 | 1,143 | 14 | 1,157 |
| **Totals** | $ 7,022 | $ 248 | $ 7,270 |

***(c) Asset Retirement Obligations***

The Department operates two coal-fired power plants and has one idle plant that produces electricity and steam for certain facilities. The Department also has one decommissioned x-ray unit which may contain hazardous materials. When these plants are ultimately retired, the government will incur costs associated with legally required disposal and environmental remediation activities. Any hazardous materials contained in the x-ray unit will also require safe disposal. At this time, the government does not have sufficient information available to provide a reasonable estimate of these related asset retirement obligations.

**NOTE (9) - Defined Benefit Pension Plans**

***Plan descriptions.*** 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) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. SERS is a single employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', Illinois General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts, and certain State agencies. There are 851 local school districts, 130 special districts, and 10 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2021. The State of Illinois, as a non-employer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

Both plans consist of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and Tier 2 members, except where noted.

Both plans also issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports are available on the respective plan websites or may be obtained by writing or calling the plan as follows:

- State Employees' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-7444 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (877) 927-5877 or www.trsil.org.

***Benefit provisions***

SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>A member must have a minimum of eight years of service credit and may retire at:
<ul>
<li>Age 60, with 8 years of service credit.</li>
<li>Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service.</li>
<li>Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li>
</ul>
The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.<br><br>
Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.<br><br>
If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td>
<td>A member must have a minimum of 10 years of credited service and may retire at:
<ul>
<li>Age 67, with 10 years of credited service.</li>
<li>Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li>
</ul>
The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. The calendar year 2021 rate is $116,740.<br><br>
If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement.<br><br>
If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum</td></tr>
</table>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through SERS. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

**Teachers' Retirement System**

TRS provides retirement benefits, whereby most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, or age 55 with 20 years of credited service. If a member retires between the ages of 55 and 60 with fewer than 35 years of service the annuity will be reduced one-half percent for each month the member is under age 60. The retirement benefit is based on the final average salary, which is the average salary for the highest 4 consecutive years within the last 10 years of credible service. Annual automatic increases equal to 3% are provided to essentially all retirees. Under Tier 2, a member qualifies for an age retirement annuity after reaching age 62 with 10 years of credited service, at a discounted rate, or age 67 with 10 years of credited service. The retirement benefit is based on the final average salary, which for Tier 2 is the average salary for the highest 8 consecutive years within the last 10 years of credible service. Annual automatic increases equal to the lesser of 3% or one half of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

***Contributions***

**State Employees' Retirement System**

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes (ILCS). Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2022, this amount was $119,892.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For Fiscal Year 2022, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For Fiscal Year 2022, the employer contribution rate was 56.169%. The Department's contribution amount for Fiscal Year 2022 was $49.534 million. In addition, the Department recorded $495.095 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Department employees that were paid from statewide General Revenue Fund appropriations.

**Teachers' Retirement System**
The State maintains the primary responsibility for funding TRS. The Illinois Pension Code, as appended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to TRS for each Fiscal Year be an amount determined to be sufficient to bring the total assets of TRS up to 90% funding. Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The active member contribution rate for the year ended June 30, 2022 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total credible earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the ILCS.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2022, this amount was $119,892. The Department's contribution amount for Fiscal Year 2022 was $10 thousand. In addition, the Department recorded $5.267 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to TRS for Department employees that were paid from statewide General Revenue Fund appropriations.

***Pension liability, deferred outflows of resources, deferred inflows of resources, and expense related to pensions.***

**State Employees' Retirement System**
At June 30, 2022, the Department reported a liability of $6.8 billion for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2021 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the Department's proportion was 20.6507% which was a increase of .0066 from its proportion measured as of the prior year measurement date of June 30, 2020.

For the year ended June 30, 2022, the Department recognized pension expense of $473.928 million. At June 30, 2022, the Department reported deferred outflows of resources and deferred inflows of resources from the following sources (amounts expressed in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 107,247 | $ 5,960 |
| Changes of assumptions | 266,082 | 7,775 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 526,875 |
| Changes in proportion | 154,864 | 140,082 |
| Department contributions subsequent to the measurement date | 544,629 | - |
| **Total** | $ 1,072,822 | $ 680,692 |

$544.629 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

| Year ended June 30, | SERS |
|---|---|
| 2023 | $ 3,279 |
| 2024 | 592 |
| 2025 | (48,260) |
| 2026 | (108,110) |
| **Total** | $ (152,499) |

**Teachers' Retirement System**

At June 30, 2022, the Department reported a liability of $876 thousand for its proportionate share of the TRS net pension liability on the statement of net position. The State's proportionate share of the net pension liability (as a nonemployer contributing entity in a special funding situation) for the Department was $73.434 million. The total net pension liability for the Department's employees participating in TRS was $74.310 million as of the measurement date. The net pension liability was measured as of June 30, 2021 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as that date. The Department's portion of the net pension liability was based on the Department's contributions relative to the contributions of all participating TRS employers and the State during the year ended June 30, 2021. At June 30, 2021, the measurement date, the Department's proportionate share was 0.00112315% for the TRS plan, which was a 0.000172 increase from its proportion measured at the prior year measurement date of June 30, 2020.

For the year ended June 30, 2022, the Department recognized pension expense of $5.184 million. At June 30, 2022, the Department reported deferred outflows and deferred inflows of resources from the following sources (amounts expressed in thousands):

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| Differences between expected and actual experience | $ | 5 | $ | 4 |
| Changes of assumptions | | - | | 4 |
| Net difference between projected and actual investment earnings on pension plan investments | | - | | 59 |
| Changes in proportion | | 235 | | 465 |
| Department contributions subsequent to the measurement date | | 10 | | - |
| **Total** | $ | 250 | $ | 532 |

$10 thousand reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

| Year ended June 30, | TRS | |
|---|---|---|
| 2023 | $ | (201) |
| 2024 | | (105) |
| 2025 | | (6) |
| 2026 | | 6 |
| 2027 | | 14 |
| Thereafter | | - |
| Total | $ | (292) |

***Actuarial Methods and Assumptions.*** The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

| | SERS | TRS |
|---|---|---|
| Valuation date | 6/30/2021 | 6/30/2021 |
| Measurement date | 6/30/2021 | 6/30/2021 |
| Actuarial cost method | Entry Age | Entry Age |
| Actuarial assumptions: | | |
| Investment rate of return | 6.75% | 7.00% |
| Projected salary increases** | 2.75% - 7.17% | 3.50% - 8.50% |
| Inflation rate | 2.25% | 2.25% |
| Postretirement benefit increases | | |
| Tier 1 | 3%, compounded | 3%, compounded |
| Tier 2 | Lesser of 3% or 1/2 of CPI^, on original benefit | 1.125% not compounded |
| Retirement age experience study^^ | July 2015 - June 2018 | July 2017 - June 2020 |
| Mortality^^^ | | |

| | |
|---|---|
| SERS | Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018 |
| TRS | PubT-2010 adjusted for TRS experience with future mortality improvements on a fully generational basis using projection table MP-2020 |

Note: The above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:

| | **TRS** |
|---|---|
| Projected salary increases** | 4.50% - 9.50% |
| Inflation rate | 2.50% |
| Postretirement benefit increases | |
| Tier 2 | 1.25%, not compounded |
| Retirement age experience study ^^ | July 2014 - June 2017 |
| Mortality^^^ | RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017 |

** Includes inflation rate listed.
^ Consumer Price Index
^^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.
^^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

**State Employees' Retirement System**
The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2021, the best estimates of the geometric real rates of return are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equity | 23.0% | 4.8% |
| Developed Foreign Equity | 13.0% | 5.3% |
| Emerging Market Equity | 8.0% | 6.5% |
| Private Equity | 7.0% | 6.8% |
| Intermediate Investment Grade Bonds | 14.0% | 0.4% |
| Long-term Government Bonds | 4.0% | 0.6% |
| TIPS | 4.0% | 0.3% |
| High Yield and Bank Loans | 5.0% | 2.5% |
| Opportunistic Debt | 8.0% | 4.3% |
| Emerging Market Debt | 2.0% | 2.2% |
| Real Estate | 10.0% | 5.6% |
| Infrastructure | 2.0% | 6.5% |
| **Total** | **100%** | |

**Teachers' Retirement System**
The long-term expected rate of return assumption on pension plan investments under the TRS plan was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, that were used by the actuary are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equities Large Cap | 16.7% | 6.20% |
| U.S. Equities Small/Mid Cap | 2.2% | 7.38% |
| International Equities Developed | 10.6% | 6.93% |
| Emerging Market Equities | 4.5% | 9.17% |
| U.S. Bonds Code | 3.0% | 1.58% |
| International Debt Developed | 1.0% | 0.37% |
| International Debt Emerging | 4.0% | 4.38% |
| Cash Equivalents | 2.0% | 0.12% |
| TIPS | 1.0% | 0.78% |
| Real Estate | 16.0% | 5.75% |
| Hedge Funds (Absolute Return) | 10.0% | 3.94% |
| Infrastructure | 4.0% | 6.29% |
| Private Equity | 15.0% | 10.38% |
| Private Debt | 10.0% | 6.47% |
| **Total** | **100%** | |

***Discount rate***

**State Employees' Retirement System**

The June 30, 2021 single blended discount rate of 6.20% (a decrease of 0.15 from the prior discount rate of 6.35%) was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 1.92%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

**Teachers' Retirement System**

A discount rate of 7.00% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions was projected to be available to make all projected future benefit payments as of June 30, 2021. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

***Sensitivity of the net pension liability to changes in the discount rate.*** The net pension liability for SERS and TRS was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

| | SERS | | |
|---|---|---|---|
| | **1% Decrease 5.20%** | **Discount Rate 6.20%** | **1% Increase 7.20%** |
| Department's proportionate share of the SERS net pension liability | $ 8,434,738 | $ 6,835,558 | $ 5,523,092 |

| | TRS | | |
|---|---|---|---|
| | **1% Decrease 6.00%** | **Discount Rate 7.00%** | **1% Increase 8.00%** |
| Department's proportionate share of the TRS net pension liability | $ 1,085 | $ 876 | $ 703 |

***Payables to the pension plan.*** On June 30, 2022, the Department reported a payable of $2.085 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2022.

## NOTE (10) - Post-employment Benefits

***Plan description.*** The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within Note 9. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single employer defined benefit plan. The plan does not issue a stand-alone financial report.

***Benefits provided.*** The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

***Funding policy and annual other postemployment benefit cost***. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health 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 toward health 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 and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For Fiscal Year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363.04 ($6,290.40 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,619.28 ($5,623.44 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

***Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB.*** The total OPEB liability, as reported at June 30, 2022, was measured as of June 30, 2021, with an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to the measurement date. As of June 30, 2022, the Department recorded a liability of $4.807 billion for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the Department's proportion was 13.7698%, which was a decrease of 1.7051 from its proportion measured as of the prior year measurement date of June 30, 2020.

The Department recognized OPEB expense for the year ended June 30, 2022, of ($233.717) million. The credit amount resulted primarily from the Department's change in proportion. In addition, the Department recorded $89.258 million of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Department employees that were paid from statewide General Revenue Fund appropriations.

At June 30, 2022, the Department reported deferred outflows and deferred inflows of resources from the following sources (amounts expressed in thousands):

| | | |
|---|---|---|
| **Deferred outflows of resources** | | |
| Differences between expected and actual experience | $ | 35,114 |
| Changes in assumptions | | 108,740 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 207,746 |
| Department contributions subsequent to the measurement date | | 96,727 |
| **Total deferred outflows of resources** | $ | 448,327 |
| **Deferred inflows of resources** | | |
| Differences between expected and actual experience | $ | 33,446 |
| Changes in assumptions | | 1,323,043 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 708,724 |
| **Total deferred inflows of resources** | $ | 2,065,213 |

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

| Year ended June 30, | Amount |
|---|---|
| 2023 | $ (457,742) |
| 2024 | (357,422) |
| 2025 | (438,491) |
| 2026 | (388,716) |
| 2027 | (71,242) |
| Total | $ (1,713,613) |

***Actuarial methods and assumptions.*** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on SERS and TRS active, inactive, and retiree data as of June 30, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020. The assumptions changed from Fiscal Year 2021 and are as follows:

| | |
|---|---|
| **Valuation Date** | June 30, 2020 |
| **Measurement Date** | June 30, 2021 |
| **Actuarial Cost Method** | Entry Age Normal |
| **Actuarial assumptions:** | |
| **Inflation Rate** | 2.25% |
| **Projected Salary Increases*** | 2.50% - 12.25% |
| **Healthcare Cost Trend Rate:** | |
| Medical & Rx (Pre-Medicare & Post-Medicare) | 8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax. |
| Dental and Vision | 3.75% grading up 0.25% in the first year to 4.00% through 2038. |

Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

| | |
|---|---|
| Healthcare Cost Trend Rate: | |
| Medical and Rx (Pre-Medicare & Post-Medicare) | 8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax. |
| Dental and Vision | 4.00% grading up 0.25% in the first year to 4.25% through 2037. |

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

The mortality assumptions are as follows:

| | Retirement age experience study^ | Mortality^^ |
|---|---|---|
| **GARS** | July 2015 - June 2018 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales |
| **JRS** | July 2015 - June 2018 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales |
| **SERS** | July 2015 - June 2018 | Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018 |
| **TRS** | July 2014 - June 2017 | RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017 |
| **SURS** | July 2014 - June 2017 | RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants |

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

***Discount rate.*** Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability (a decrease of 0.53).

***Sensitivity of total OPEB liability to changes in the single discount rate.*** The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 1.92%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (0.92%) than the current rate (amounts expressed in thousands):

| | 1% Decrease (0.92%) | Current Single Discount Rate Assumption (1.92%) | 1% Increase (2.92%) |
|---|---|---|---|
| Total OPEB liability | $ 5,677,396 | $ 4,807,309 | $ 4,118,886 |

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.*** The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00% in 2022 decreasing to an ultimate trend rate of 4.25% in 2038.

| | 1% Decrease | Current Healthcare Cost Trend Rates Assumption | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $ 4,011,549 | $ 4,807,309 | $ 5,860,298 |

A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2023 decreasing to an ultimate trend rate of 3.25% in plan year end 2038. A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2023 A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2023.

## NOTE (11) - Fund Balances

### *(a) Categories*

At June 30, 2022, the Department's governmental fund balances were classified as follows:

| | General Fund | Other Nonmajor Funds | Total |
|---|---|---|---|
| **Nonspendable:** | | | |
| Inventory | $ 4,814 | $ 1,994 | $ 6,808 |
| Permanent endowments | - | 1,104 | 1,104 |
| **Total nonspendable** | 4,814 | 3,098 | 7,912 |
| **Restricted Purposes:** | | | |
| Community developmental disabilities programs | 6,778 | - | 6,778 |
| Vocational rehabilitation programs | - | 20,181 | 20,181 |
| Other programs | 490 | 8,057 | 8,547 |
| **Total restricted** | 7,268 | 28,238 | 35,506 |
| **Committed Purposes:** | | | |
| Child care programs | - | 58,977 | 58,977 |
| Veteran's rehabilitation | 225 | - | 225 |
| Medical assistance programs | 23,114 | 94,425 | 117,539 |
| Mental health programs | 12,526 | 32,647 | 45,173 |
| Information technology initiatives | - | 6,944 | 6,944 |
| Other programs | - | 49,703 | 49,703 |
| **Total committed** | 35,865 | 242,696 | 278,561 |
| **Unassigned** | 17,840 | (54,034) | (36,194) |
| **Total fund balance** | $ 65,787 | $ 219,998 | $ 285,785 |

### *(b) Fund Deficits*

The Home Services Medicaid Trust Account and Care Provider Fund for Persons with a Developmental Disability Account, all subaccounts of the General Fund, had a fund deficits (expressed in thousands) of $229 and $341, respectively, at June 30, 2022.

The Federal National Community Services, Employment and Training, DHS Federal Projects, DHS State Projects, Alcoholism and Substance Abuse, Juvenile Justice Trust, and DHS Recoveries Trust, all non-major governmental funds, had fund deficits (expressed in thousands) of $3,854, $3,319, $11,082, $1,088, $517, $48, and $34,126, respectively, at June 30, 2022.

## NOTE (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. The Department's risk management activities for employee health claims, workers' compensation claims and auto liability claims are financed through appropriations to the Illinois Department of Central Management Services (CMS). Other claims costs could be charged back to the Department upon settlement; however, the Department is not able to estimate those amounts and does not expect them to be material.

The Department's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to CMS and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department, and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2022.

## NOTE (13) - Commitments and Contingencies

### *(a) Federal Funding*

#### Backlog of Applications in Integrated Eligibility System (IES)

The State of Illinois implemented an Integrated Eligibility System (IES) for the intake and processing of applications in order to determine eligibility for various health and human services programs (i.e., Medicaid, SNAP, TANF) effective October 2013. Upon the implementation of IES, the State has experienced delays in processing applications due to an increase in the number of applications for the expanded Medicaid programs and open enrollment periods, insufficient caseworker resources and other factors. These delays resulted in applications not being reviewed and approved or denied within the mandated timeframe. The retroactive benefits associated with the unprocessed applications and redeterminations are not material to the financial statements and have not been recorded.

#### SNAP Overpayment Claims

The Department has significant delays in investigating and resolving overpayment claims for the Supplemental Nutrition Assistance Program (SNAP). Department management cannot establish a claim against a SNAP recipient until their investigation is complete. When resolution of these claims is complete, the Department estimates it will record net receivables from beneficiaries under the program of approximately $520 million, for benefits established on or before June 30, 2022. Additionally, it is estimated that $412 million will be recorded as a liability to the Federal government for their share of overpayment collections. The rate used to calculate this amount, 8.84%, came from a July 6, 2020, letter from the USDA. This was the calculated rate for FY19 which is the most recent calculation of the official payment error rate by the USDA. The error rate for FY22 is expected to be issued by the USDA in mid-2023.

#### Federal Program Audits

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 and subject to repayment by the Department. Generally, no provision for repayment is recorded until the federal grantor agency has determined a repayment is necessary. The Department in not aware of any material unrecorded liabilities pertaining to questioned costs. Identified questioned costs are frequently reported in the State of Illinois Single Audit Report. A copy of the report may be obtained by accessing the Illinois Office of the Auditor General's website, http://www.auditor.illinois.gov/Audit-Reports/Statewide-Single-Audit.asp.

### *(b) Litigation*

The Department is routinely involved in a number of 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.

## Note (14) - COVID-19 Considerations

These financial statements include some adjustments related to the impact of COVID-19 (Coronavirus) on programs and benefits the Department administers. Uncertainty remains as to any future potential reimbursement of costs incurred due to the pandemic, how long the current situation will last and the ongoing impact to program costs and benefits.

## Note (15) - Restatement

The notes to the financial statements have been restated as of July 1, 2021, as a result of the following:

### Implementation of GASB Statement No. 87, *Leases*

The Department's notes to the financial statements have been restated as of July 1, 2021, as a result of the implementation of GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as capital or operating leases and recognized as inflows of resources and/or outflows of resources based on the payment provisions of the contract. Implementation of Statement No. 87 required recognition of beginning leased assets and obligations as follows (amounts expressed in thousands):

| | Note 7 | Note 8 |
|---|---|---|
| | Capital Assets | Long-Term Obligations |
| June 30, 2021, as previously reported | $ 283,107 | $ 13,834,479 |
| Implementation of GASB 87 | | |
| Right-to-use leased equipment | 6,304 | - |
| Capital lease equipment | (2,477) | - |
| Lease obligations | - | 6,304 |
| Capital lease obligations | - | (2,802) |
| July 1, 2021, as restated | $ 286,934 | $ 13,837,981 |

The difference between the capital lease equipment and capital lease obligations of $325 was deemed immaterial and recorded in the current period.

## Note (16) - Subsequent Events

### *(a) The Illinois Application for Benefits Eligibility System Provider Portal*

The Illinois Application for Benefits Eligibility (ABE) System Provider Portal (Portal) is a component of the Integrated Eligibility System (IES). The Provider Portal enables Medicaid providers to submit benefit applications for individuals online, with their consent. On approximately August 22, 2022, a potential privacy incident was reported within the Portal. The Illinois Department of Human Services (IDHS) and the Illinois Department of Healthcare and Family Services (HFS) (collectively, the Departments) opened an investigation into the matter. The incident concerned individuals whose application for Portal accounts were pending approval ("Non-Authorized Users") who may have been able to view customer applications for Medicaid, Supplemental Nutrition Assistance Program (SNAP) and/or Temporary Assistance for Needy Families (TANF).

In response to this incident, the Departments shut down the ABE system Provider Portal on August 23, 2022, to fix the issue. The system was reopened on September 29, 2022.

During the investigation, the Departments discovered that individuals who applied to become Provider Portal users potentially could see certain customer applications, before they were approved users, if they clicked on certain buttons in a specific order that was different from the displayed instructions while logged into their account. This means that benefit applications that were submitted through the Provider Portal prior to August 23, 2022, potentially could have been accessed by users who went to the Provider Portal and went through the provider application process.

The information that potentially could have been accessed included applicant name, gender, date of birth, county, application type, and application status. In some instances, additional information about the applicant, as well as other individuals included in the application for benefits, could have been viewed and could include any of the following: Social Security number, address, benefits applied for, income information, and medical information. After extensive technical analysis, the Departments determined that the security breach potentially included up to 520,924 households with 480,435 individuals. To date, the Departments do not know of any actual or attempted misuse of anyone's personal information because of this incident. The information the Departments do know indicates the risk of access or misuse is low.

The Departments notified the General Assembly, the Office of the Illinois Attorney General, the U.S. Department of Health and Human Services Office of Civil Rights, the media, and the potentially affected individuals on October 21, 2022. The Departments are providing one year of credit monitoring to potentially impacted individuals and a dedicated phone line to provide assistance and further information about this incident. The assistance line was available until January 23, 2023. The Department's vendor covered the costs of the mailings and services. The Department issued a subsequent mailing to Spanish speakers at the cost of approximately $25,120. The Department's vendor has refused to cover the cost of the Spanish mailing, but the Department may seek reimbursement from the vendor. Additionally, the Department has been contacted by the U.S. Department of Health and Human Services Office of Civil Rights regarding this breach (which is mandatory for breaches impacting over 500 individuals), although no penalties have been threatened or assessed to date.

***(b) The Illinois Application for Benefits Eligibility System Manage My Case Portal***

On December 8, 2022, a customer reported an unknown individual was added as the Primary Account holder on their account. At the time, the Departments believed the incident was an isolated incident. Then on March 13, 2023, suspicious user accounts were discovered within the ABE system and used within the Manage My Case (MMC) portal. The MMC portal is used by individuals to see case history and benefit information. The suspicious ABE accounts were able to link to existing MMC accounts by providing stolen personal information which the Departments believe were obtained through other, non-Departmental sources. The Departments have since deployed a new software to stop the creation of more suspicious user accounts and de-linked the suspicious accounts.

The information that potentially could have been accessed included the individual's name, address, phone number, date of birth, recipient identification number, individual ID, case ID, social security numbers, benefits applied and received, and income information. If the individual applied for benefits through the ABE portal, the application and any documents uploaded to support the application could be accessed. Information of individuals included on the application for benefits or receiving benefits with the household could also have been viewed.

The Departments determined that 50,839 individuals (18,336 households) were affected by this incident. The Departments notified the General Assembly, the Office of the Illinois Attorney General, the U.S. Department of Health and Human Services Office of Civil rights, the media, and the potentially affected individuals on May 12, 2023. The Departments provided a dedicated phone line to provide assistance and answer questions about this incident. The phone line is available until August 14, 2023.

*State of Illinois*
*Department of Human Services*
# Combining Schedule of Accounts - General Fund
**June 30, 2022 (Expressed in Thousands)**

| | General Revenue 0001 | Illinois Veterans' Rehabilitation 0036 | Special Olympics Illinois and Special Children's Charities 0073 | Home Services Medicaid Trust 0120 | Community Developmental Disabilities Services Medicaid Trust 0142 | State CURE 0324 | Care Provider Fund for Persons with a Developmental Disability 0344 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Unexpended appropriations | $ 470,709 | $ - | $ - | $ - | $ - | $ - | $ 190 |
| Cash deposited with State Treasurer | 976 | 267 | 488 | 7,884 | 33,311 | - | - |
| Cash and cash equivalents | 203 | - | - | - | - | | - |
| Securities lending collateral equity with State Treasurer | - | - | 79 | 1,580 | 5,109 | - | - |
| Due from other government - federal | 2,655 | - | - | - | - | - | - |
| Recipient services and other receivables, net | 4,200 | - | - | 9 | 30 | - | - |
| Due from other Department funds | 4,018 | - | - | - | - | 20,000 | - |
| Due from other State funds | 41,975 | - | 2 | - | - | - | - |
| Inventories | 4,814 | - | - | - | - | - | - |
| **Total assets** | $ 529,550 | $ 267 | $ 569 | $ 9,473 | $ 38,450 | $ 20,000 | $ 190 |
| **LIABILITIES** | | | | | | | |
| Accounts payable and accrued liabilities | 394,086 | 28 | - | 7,940 | 2,946 | - | 531 |
| Due to other government - federal | 2,867 | - | - | - | - | - | - |
| Due to other government - local | 4,100 | 7 | - | 35 | - | - | - |
| Due to other Department fiduciary funds | 12 | - | - | - | - | - | - |
| Due to other State fiduciary funds | - | 2 | - | - | - | - | - |
| Due to other Department funds | 33,679 | - | - | - | - | - | - |
| Due to other State funds | 56,563 | 1 | - | - | - | 20,000 | - |
| Due to State of Illinois component units | 3,766 | 4 | - | 147 | - | - | - |
| Unearned revenue | 2,940 | - | - | - | 23,617 | - | - |
| Obligations under securities lending of State Treasurer | - | - | 79 | 1,580 | 5,109 | - | - |
| **Total liabilities** | 498,013 | 42 | 79 | 9,702 | 31,672 | 20,000 | 531 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Unavailable revenue | 8,313 | - | - | - | - | - | - |
| **Total Deferred Inflows of Resources** | 8,313 | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | | |
| Nonspendable | 4,814 | - | - | - | - | - | - |
| Restricted | - | - | 490 | - | 6,778 | - | - |
| Committed | - | 225 | - | - | - | - | - |
| Unassigned | 18,410 | - | - | (229) | - | | (341) |
| **Total fund balances (deficits)** | 23,224 | 225 | 490 | (229) | 6,778 | - | (341) |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 529,550 | $ 267 | $ 569 | $ 9,473 | $ 38,450 | $ 20,000 | $ 190 |

***State of Illinois***
***Department of Human Services***
## Combining Schedule of Accounts - General Fund
**June 30, 2022 (Expressed in Thousands)**

| | Health and Human Services Medicaid Trust 0365 | Commitment to Human Services 0644 | Community Mental Health Medicaid Trust 0718 | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ 470,899 |
| Cash deposited with State Treasurer | 22,590 | - | 10,730 | - | 76,246 |
| Cash and cash equivalents | - | - | - | - | 203 |
| Securities lending collateral equity with State Treasurer | 3,324 | - | 1,737 | - | 11,829 |
| Due from other government - federal | 303 | - | 9,818 | - | 12,776 |
| Recipient services and other receivables, net | 64 | 408 | 10 | - | 4,721 |
| Due from other Department funds | - | - | - | - | 24,018 |
| Due from other State funds | - | - | - | - | 41,977 |
| Inventories | - | - | - | - | 4,814 |
| **Total assets** | $ 26,281 | $ 408 | $ 22,295 | $ - | $ 647,483 |
| **LIABILITIES** | | | | | |
| Accounts payable and accrued liabilities | 251 | - | 5,374 | - | 411,156 |
| Due to other government - federal | - | - | 3 | - | 2,870 |
| Due to other government - local | - | - | - | - | 4,142 |
| Due to other Department fiduciary funds | - | - | - | - | 12 |
| Due to other State fiduciary funds | - | - | 26 | - | 28 |
| Due to other Department funds | - | - | - | - | 33,679 |
| Due to other State funds | - | - | 14 | - | 76,578 |
| Due to State of Illinois component units | - | - | - | - | 3,917 |
| Unearned revenue | - | - | - | - | 26,557 |
| Obligations under securities lending of State Treasurer | 3,324 | - | 1,737 | - | 11,829 |
| **Total liabilities** | 3,575 | - | 7,154 | - | 570,768 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue | - | - | 2,615 | - | 10,928 |
| **Total Deferred Inflows of Resources** | - | - | 2,615 | - | 10,928 |
| **FUND BALANCES (DEFICITS)** | | | | | |
| Nonspendable | - | - | - | - | 4,814 |
| Restricted | - | - | - | - | 7,268 |
| Committed | 22,706 | 408 | 12,526 | - | 35,865 |
| Unassigned | - | - | - | - | 17,840 |
| **Total fund balances (deficits)** | 22,706 | 408 | 12,526 | - | 65,787 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 26,281 | $ 408 | $ 22,295 | $ - | $ 647,483 |

*State of Illinois*
*Department of Human Services*
# Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | General Revenue 0001 | Illinois Veterans' Rehabilitation 0036 | Special Olympics Illinois and Special Children's Charities 0073 | Home Services Medicaid Trust 0120 | Community Developmental Disabilities Services Medicaid Trust 0142 | State CURE 0324 | Care Provider Fund for Persons with a Developmental Disability 0344 |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Federal operating grants, net of refunds | $ 267,748 | $ - | $ - | $ 234,000 | $ 33,007 | $ 57,865 | $ - |
| Licenses and fees, net of refunds | 93 | - | - | - | - | - | - |
| Interest and investment income | - | - | 2 | 212 | 67 | - | - |
| Other charges for services, net of refunds | 89 | - | - | - | - | - | - |
| Other revenues, net of refunds | 623 | - | - | - | - | - | - |
| **Total revenues** | 268,553 | - | 2 | 234,212 | 33,074 | 57,865 | - |
| **EXPENDITURES** | | | | | | | |
| Health and social services | 4,707,500 | 13,947 | 2,000 | 244,089 | 35,961 | 60,655 | 36,033 |
| Debt service - principal | 2,304 | - | - | 40 | - | - | - |
| Debt service - interest | 144 | - | - | 3 | - | - | - |
| Capital outlays | 38,417 | - | - | 201 | - | - | - |
| **Total expenditures** | 4,748,365 | 13,947 | 2,000 | 244,333 | 35,961 | 60,655 | 36,033 |
| **Excess (deficiency) of revenues over (under) expenditures** | (4,479,812) | (13,947) | (1,998) | (10,121) | (2,887) | (2,790) | (36,033) |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | | |
| Appropriations from State resources | 5,447,373 | - | - | - | - | 621,455 | 45,000 |
| Lapsed appropriations | (401,053) | - | - | - | - | (461,090) | (8,886) |
| Receipts collected and transmitted to State Treasury | (230,861) | - | - | - | - | (160,365) | - |
| Amount of SAMS transfers-in | (29,849) | - | - | - | - | - | - |
| Amount of SAMS transfers-out | 14,289 | - | - | - | - | 2,500 | - |
| Transfers-in | - | 4,763 | 918 | - | - | - | - |
| Transfers-out | (316,984) | - | - | - | - | - | - |
| Leases issued | 3,337 | - | - | 201 | - | - | - |
| **Net other sources (uses) of financial resources** | 4,486,252 | 4,763 | 918 | 201 | - | 2,500 | 36,114 |
| **Net change in fund balances** | 6,440 | (9,184) | (1,080) | (9,920) | (2,887) | (290) | 81 |
| Fund balances (deficits), July 1, 2021 | 17,284 | 9,409 | 1,570 | 9,691 | 9,665 | 290 | (422) |
| Increase (decrease) for change in inventories | (500) | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 23,224 | $ 225 | $ 490 | $ (229) | $ 6,778 | $ - | $ (341) |

*State of Illinois*
*Department of Human Services*
# Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Health and Human Services Medicaid Trust 0365 | Commitment to Human Services 0644 | Community Mental Health Medicaid Trust 0718 | Eliminations | Total |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Federal operating grants, net of refunds | $ 2,540 | $ - | $ 36,488 | $ - | $ 631,648 |
| Licenses and fees, net of refunds | - | - | - | - | 93 |
| Interest and investment income | 88 | - | 79 | - | 448 |
| Other charges for services, net of refunds | - | - | - | - | 89 |
| Other revenues, net of refunds | - | - | - | - | 623 |
| **Total revenues** | 2,628 | - | 36,567 | - | 632,901 |
| **EXPENDITURES** | | | | | |
| Health and social services | 14,930 | (7) | 32,431 | - | 5,147,539 |
| Debt service - principal | - | - | - | - | 2,344 |
| Debt service - interest | - | - | - | - | 147 |
| Capital outlays | - | - | - | - | 38,618 |
| **Total expenditures** | 14,930 | (7) | 32,431 | - | 5,188,648 |
| **Excess (deficiency) of revenues over (under) expenditures** | (12,302) | 7 | 4,136 | - | (4,555,747) |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | |
| Appropriations from State resources | - | - | - | - | 6,113,828 |
| Lapsed appropriations | - | - | - | - | (871,029) |
| Receipts collected and transmitted to State Treasury | - | (8) | - | - | (391,234) |
| Amount of SAMS transfers-in | - | - | - | - | (29,849) |
| Amount of SAMS transfers-out | - | - | - | - | 16,789 |
| Transfers-in | 20,000 | - | - | (4,763) | 20,918 |
| Transfers-out | - | - | - | 4,763 | (312,221) |
| Leases issued | - | - | - | - | 3,538 |
| **Net other sources (uses) of financial resources** | 20,000 | (8) | - | - | 4,550,740 |
| **Net change in fund balances** | 7,698 | (1) | 4,136 | - | (5,007) |
| Fund balances (deficits), July 1, 2021 | 15,008 | 409 | 8,390 | - | 71,294 |
| Increase (decrease) for change in inventories | - | - | - | - | (500) |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 22,706 | $ 408 | $ 12,526 | $ - | $ 65,787 |

*State of Illinois*
*Department of Human Services*
# Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013 | Group Home Loan Revolving 0025 | Mental Health 0050 | Vocational Rehabilitation 0081 | Assistance to the Homeless 0100 | Youth Alcoholism and Substance Abuse Prevention 0128 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 338 | 231 | 34,940 | 28,324 | 1,316 | 281 |
| Cash and cash equivalents | - | - | - | - | - | - |
| Securities lending collateral equity with State Treasurer | - | 36 | - | - | - | - |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | 12,593 | - | 2,186 | 2,251 | - | - |
| Due from other government - local | - | - | - | - | - | - |
| Taxes receivable, net | - | - | 80 | - | - | - |
| Other receivables, net | 107 | - | 1,152 | 9 | - | - |
| Loans and notes receivable, net | - | 81 | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | - |
| Due from other State funds | - | - | 2,155 | - | 3 | - |
| Inventories | - | - | 1,994 | - | - | - |
| **Total assets** | $ 13,038 | $ 348 | $ 42,507 | $ 30,584 | $ 1,319 | $ 281 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | 10,917 | - | 7,438 | 6,058 | - | - |
| Due to other government - federal | 5 | - | 1,908 | 355 | - | - |
| Due to other government - local | 905 | - | - | 961 | - | - |
| Due to other State fiduciary funds | 37 | - | 66 | 899 | - | - |
| Due to other Department funds | - | - | - | - | - | - |
| Due to other State funds | 94 | - | 4,427 | 1,837 | - | - |
| Due to State of Illinois component units | 1,080 | - | 378 | 250 | - | - |
| Unearned revenue | - | - | - | - | - | - |
| Obligations under securities lending of State Treasurer | - | 36 | - | - | - | - |
| **Total liabilities** | 13,038 | 36 | 14,217 | 10,360 | - | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | 43 | - | - |
| **Total Deferred Inflows of Resources** | - | - | - | 43 | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | 1,994 | - | - | - |
| Restricted | - | 312 | - | 20,181 | - | - |
| Committed | - | - | 26,296 | - | 1,319 | 281 |
| Unassigned | - | - | - | - | - | - |
| **Total fund balances (deficits)** | - | 312 | 28,290 | 20,181 | 1,319 | 281 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 13,038 | $ 348 | $ 42,507 | $ 30,584 | $ 1,319 | $ 281 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | **Survivors Human Trafficking 0132** | **Mental Health Reporting 0148** | **Sexual Assault Services and Prevention 0158** | **Children's Wellness Charities 0178** | **Housing for Families 0181** | **DHS Technology Initiative 0211** |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 16 | 7,204 | 1,119 | 36 | 45 | 8,185 |
| Cash and cash equivalents | - | - | - | - | - | - |
| Securities lending collateral equity with State Treasurer | - | 1,211 | 176 | - | - | 866 |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | - | - | - | - | - | - |
| Due from other government - local | - | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | - | 7 | 1 | - | - | 5 |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | 226 |
| Due from other State funds | - | - | - | - | - | 3 |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 16 | $ 8,422 | $ 1,296 | $ 36 | $ 45 | $ 9,285 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | - | 851 | 263 | - | - | 9 |
| Due to other government - federal | - | - | - | - | - | - |
| Due to other government - local | - | - | - | - | - | - |
| Due to other State fiduciary funds | - | 3 | - | - | - | - |
| Due to other Department funds | - | - | - | - | - | - |
| Due to other State funds | - | 6 | - | - | - | 11 |
| Due to State of Illinois component units | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | 1,455 |
| Obligations under securities lending of State Treasurer | - | 1,211 | 176 | - | - | 866 |
| **Total liabilities** | - | 2,071 | 439 | - | - | 2,341 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | - | - | - |
| **Total Deferred Inflows of Resources** | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 16 | - | 857 | 36 | 45 | - |
| Committed | - | 6,351 | - | - | - | 6,944 |
| Unassigned | - | - | - | - | - | - |
| **Total fund balances (deficits)** | 16 | 6,351 | 857 | 36 | 45 | 6,944 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 16 | $ 8,422 | $ 1,296 | $ 36 | $ 45 | $ 9,285 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Autism Research Check-off 0228 | Drunk and Drugged Driving Prevention 0276 | Federal National Community Services 0343 | Employment and Training 0347 | Drug Treatment 0368 | Sexual Assault Services 0389 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 4 | 794 | 333 | 90,493 | 9,889 | 363 |
| Cash and cash equivalents | - | - | - | - | - | - |
| Securities lending collateral equity with State Treasurer | 1 | - | - | - | - | - |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | - | - | 3,854 | 118,393 | - | - |
| Due from other government - local | - | - | - | - | 319 | 13 |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | - | - | - | 59 | - | - |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | - |
| Due from other State funds | - | - | - | 3,259 | 369 | - |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 5 | $ 794 | $ 4,187 | $ 212,204 | $ 10,577 | $ 376 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | - | 82 | 3,010 | 101,810 | 208 | - |
| Due to other government - federal | - | 1 | - | 10 | 2 | - |
| Due to other government - local | - | 1 | 607 | 4,022 | - | - |
| Due to other State fiduciary funds | - | 10 | - | 78 | 13 | - |
| Due to other Department funds | - | - | 333 | - | - | - |
| Due to other State funds | - | 3 | - | 6,824 | 5 | - |
| Due to State of Illinois component units | - | - | 237 | 441 | 321 | - |
| Unearned revenue | - | - | - | 43,552 | - | - |
| Obligations under securities lending of State Treasurer | 1 | - | - | - | - | - |
| **Total liabilities** | 1 | 97 | 4,187 | 156,737 | 549 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | 3,854 | 58,786 | - | - |
| **Total Deferred Inflows of Resources** | - | - | 3,854 | 58,786 | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 4 | - | - | - | - | - |
| Committed | - | 697 | - | - | 10,028 | 376 |
| Unassigned | - | - | (3,854) | (3,319) | - | - |
| **Total fund balances (deficits)** | 4 | 697 | (3,854) | (3,319) | 10,028 | 376 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 5 | $ 794 | $ 4,187 | $ 212,204 | $ 10,577 | $ 376 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Balance Sheet -
## Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Gaining Early Awareness and Readiness for Undergraduate Programs 0394 | Autism Care 0399 | DHS Special Purposes Trust 0408 | Autism Awareness 0458 | Old Age Survivors Insurance 0495 | Early Intervention Services Revolving 0502 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 1 | 39 | 69,174 | 24 | 1,301 | 18,912 |
| Cash and cash equivalents | - | - | - | - | - | - |
| Securities lending collateral equity with State Treasurer | - | - | - | - | - | 1,137 |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | - | - | 9,365 | - | 2,255 | 10,810 |
| Due from other government - local | - | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | - | - | 173 | - | - | 1,164 |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | 33,292 |
| Due from other State funds | - | - | 538 | - | - | 52 |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 1 | $ 39 | $ 79,250 | $ 24 | $ 3,556 | $ 65,367 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | - | - | 13,342 | 21 | 1,856 | 18,421 |
| Due to other government - federal | 1 | - | 15 | - | 80 | 2 |
| Due to other government - local | - | - | 496 | - | 1 | 1,281 |
| Due to other State fiduciary funds | - | - | 105 | - | 558 | 18 |
| Due to other Department funds | - | - | - | - | - | - |
| Due to other State funds | - | - | 545 | - | 1,061 | 25 |
| Due to State of Illinois component units | - | - | 3,493 | - | - | 711 |
| Unearned revenue | - | - | 1,771 | 1 | - | 4,700 |
| Obligations under securities lending of State Treasurer | - | - | - | - | - | 1,137 |
| **Total liabilities** | 1 | - | 19,767 | 22 | 3,556 | 26,295 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | 506 | - | - | 3,218 |
| **Total Deferred Inflows of Resources** | - | - | 506 | - | - | 3,218 |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | 39 | - | 2 | - | - |
| Committed | - | - | 58,977 | - | - | 35,854 |
| Unassigned | - | - | - | - | - | - |
| **Total fund balances (deficits)** | - | 39 | 58,977 | 2 | - | 35,854 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 1 | $ 39 | $ 79,250 | $ 24 | $ 3,556 | $ 65,367 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Balance Sheet -
## Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | DHS Community Services 0509 | Domestic Violence Abuser Services 0528 | DHS Federal Projects 0592 | Special Olympics Illinois 0623 | DHS State Projects 0642 | Alcoholism and Substance Abuse 0646 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 94,232 | 186 | 19,176 | 1 | 52,455 | 690 |
| Cash and cash equivalents | - | - | - | - | - | - |
| Securities lending collateral equity with State Treasurer | 14,274 | - | - | - | - | - |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | 30 | - | 2,349 | - | - | 12,597 |
| Due from other government - local | - | 3 | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | 83 | - | 38 | - | 14 | - |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | - |
| Due from other State funds | 3,693 | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 112,312 | $ 189 | $ 21,563 | $ 1 | $ 52,469 | $ 13,287 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | 3,251 | - | 18,083 | - | 13,306 | 11,298 |
| Due to other government - federal | 3 | - | 777 | - | - | 2 |
| Due to other government - local | 9 | - | 945 | - | 20 | 1,348 |
| Due to other State fiduciary funds | 26 | - | 9 | - | - | 9 |
| Due to other Department funds | - | - | - | - | 20,000 | - |
| Due to other State funds | 81 | - | 388 | - | 19,778 | 19 |
| Due to State of Illinois component units | 186 | - | 68 | - | - | 458 |
| Unearned revenue | 57 | - | 12,375 | 1 | 453 | 153 |
| Obligations under securities lending of State Treasurer | 14,274 | - | - | - | - | - |
| **Total liabilities** | 17,887 | - | 32,645 | 1 | 53,557 | 13,287 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | - | - | 517 |
| **Total Deferred Inflows of Resources** | - | - | - | - | - | 517 |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Committed | 94,425 | 189 | - | - | - | - |
| Unassigned | - | - | (11,082) | - | (1,088) | (517) |
| **Total fund balances (deficits)** | 94,425 | 189 | (11,082) | - | (1,088) | (517) |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 112,312 | $ 189 | $ 21,563 | $ 1 | $ 52,469 | $ 13,287 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Balance Sheet -
## Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | DHS Private Resources 0690 | U.S.D.A. Women Infants and Children 0700 | Hunger Relief 0706 | Serve Illinois Commission 0727 | Tobacco Settlement Recovery 0733 | Thriving Youth Income Tax Checkoff 0752 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ 396 | $ - |
| Cash deposited with State Treasurer | 2,162 | 7,901 | 829 | - | - | 65 |
| Cash and cash equivalents | - | 3,245 | - | - | - | - |
| Securities lending collateral equity with State Treasurer | - | - | 108 | - | - | - |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | - | 28 | - | - | - | - |
| Due from other government - local | - | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | - | 6,659 | 1 | - | - | - |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | 333 | - | - |
| Due from other State funds | - | - | 3 | - | - | - |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 2,162 | $ 17,833 | $ 941 | $ 333 | $ 396 | $ 65 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | 28 | 9,231 | 250 | - | 64 | - |
| Due to other government - federal | - | 6 | - | - | 3 | - |
| Due to other government - local | - | 2,359 | - | - | 316 | - |
| Due to other State fiduciary funds | - | 45 | - | - | 5 | - |
| Due to other Department funds | - | - | - | - | - | - |
| Due to other State funds | - | 50 | - | - | 8 | - |
| Due to State of Illinois component units | - | 64 | - | - | - | - |
| Unearned revenue | 2,134 | 6,078 | - | - | - | - |
| Obligations under securities lending of State Treasurer | - | - | 108 | - | - | - |
| **Total liabilities** | 2,162 | 17,833 | 358 | - | 396 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | - | - | - |
| **Total Deferred Inflows of Resources** | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | 583 | 333 | - | 65 |
| Committed | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| **Total fund balances (deficits)** | - | - | 583 | 333 | - | 65 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 2,162 | $ 17,833 | $ 941 | $ 333 | $ 396 | $ 65 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Local Initiative 0762 | Rehabilitation Services Elementary and Secondary Education Act 0798 | Grant V. Dimas Escrow 0818 | Domestic Violence Shelter and Service 0865 | Maternal and Child Health Services Block Grant 0872 | Community Mental Health Services Block Grant 0876 |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 8,517 | 872 | - | 504 | - | 620 |
| Cash and cash equivalents | - | 4 | - | - | - | - |
| Securities lending collateral equity with State Treasurer | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - |
| Due from other government - federal | - | - | - | - | - | 1,102 |
| Due from other government - local | - | - | - | 47 | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | 11 | - | - | - | - | 37 |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | 3 | - | - | - | - |
| Due from other State funds | - | 174 | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 8,528 | $ 1,053 | $ - | $ 551 | $ - | $ 1,759 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | 2,937 | 104 | - | 117 | - | 1,653 |
| Due to other government - federal | 2 | - | - | - | - | 1 |
| Due to other government - local | 881 | - | - | - | - | 95 |
| Due to other State fiduciary funds | 15 | - | - | - | - | 7 |
| Due to other Department funds | 4,018 | - | - | - | - | - |
| Due to other State funds | 132 | 18 | - | - | - | 3 |
| Due to State of Illinois component units | 543 | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - |
| Obligations under securities lending of State Treasurer | - | - | - | - | - | - |
| **Total liabilities** | 8,528 | 122 | - | 117 | - | 1,759 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | - | - | - |
| **Total Deferred Inflows of Resources** | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | 931 | - | - | - | - |
| Committed | - | - | - | 434 | - | - |
| Unassigned | - | - | - | - | - | - |
| **Total fund balances (deficits)** | - | 931 | - | 434 | - | - |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 8,528 | $ 1,053 | $ - | $ 551 | $ - | $ 1,759 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | **Homelessness Prevention Revenue 0889** | **Youth Drug Abuse Prevention 0910** | **Juvenile Justice Trust 0911** | **DHS Recoveries Trust 0921** | **DHS Other Special Trusts 1139** | **DHS Rehabilitation 1144** |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ - |
| Cash deposited with State Treasurer | 2,076 | 525 | 759 | 7,446 | - | - |
| Cash and cash equivalents | - | - | - | - | 386 | 108 |
| Securities lending collateral equity with State Treasurer | - | - | - | - | - | - |
| Investments | - | - | - | - | 315 | - |
| Due from other government - federal | - | - | 185 | - | 49 | - |
| Due from other government - local | - | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - |
| Other receivables, net | - | - | - | 91,851 | - | - |
| Loans and notes receivable, net | - | - | - | - | - | - |
| Due from other Department funds | - | - | - | - | - | - |
| Due from other State funds | 403 | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| **Total assets** | $ 2,479 | $ 525 | $ 944 | $ 99,297 | $ 750 | $ 108 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | - | - | 221 | 1,844 | - | - |
| Due to other government - federal | - | - | - | 40,758 | - | - |
| Due to other government - local | - | - | 28 | 15 | - | - |
| Due to other State fiduciary funds | - | - | - | 148 | - | - |
| Due to other Department funds | - | - | - | - | - | - |
| Due to other State funds | - | - | 127 | 164 | - | - |
| Due to State of Illinois component units | - | - | 57 | - | - | - |
| Unearned revenue | - | - | 511 | - | - | - |
| Obligations under securities lending of State Treasurer | - | - | - | - | - | - |
| **Total liabilities** | - | - | 944 | 42,929 | - | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | 48 | 90,494 | 49 | - |
| **Total Deferred Inflows of Resources** | - | - | 48 | 90,494 | 49 | - |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 2,479 | - | - | - | 701 | 108 |
| Committed | - | 525 | - | - | - | - |
| Unassigned | - | - | (48) | (34,126) | - | - |
| **Total fund balances (deficits)** | 2,479 | 525 | (48) | (34,126) | 701 | 108 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 2,479 | $ 525 | $ 944 | $ 99,297 | $ 750 | $ 108 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Balance Sheet - Nonmajor Governmental Funds
**June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | Permanent | | |
|---|---|---|---|---|---|---|
| | DHS/DORS Special Revenue 1149 | Food Stamp and Commodity 1245 | Vending Facility Program for the Blind 1385 | DHS/DORS Permanent Trust 1150 | Burr Bequest 1272 | Total |
| **ASSETS** | | | | | | |
| Unexpended appropriations | $ - | $ - | $ - | $ - | $ - | $ 396 |
| Cash deposited with State Treasurer | - | - | - | - | - | 472,378 |
| Cash and cash equivalents | 348 | - | 282 | 353 | 1,010 | 5,736 |
| Securities lending collateral equity with State Treasurer | - | - | - | - | - | 17,809 |
| Investments | - | - | - | 212 | - | 527 |
| Due from other government - federal | - | - | - | - | - | 178,047 |
| Due from other government - local | 36 | - | - | - | - | 418 |
| Taxes receivable, net | - | - | - | - | - | 80 |
| Other receivables, net | - | - | 20 | - | - | 101,391 |
| Loans and notes receivable, net | - | - | 259 | - | - | 340 |
| Due from other Department funds | 300 | - | - | - | - | 34,154 |
| Due from other State funds | - | - | - | - | - | 10,652 |
| Inventories | - | - | - | - | - | 1,994 |
| **Total assets** | $ 684 | $ - | $ 561 | $ 565 | $ 1,010 | $ 823,922 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued liabilities | - | - | 28 | - | - | 226,701 |
| Due to other government - federal | - | - | - | - | - | 43,931 |
| Due to other government - local | - | - | - | - | - | 14,290 |
| Due to other State fiduciary funds | - | - | - | - | - | 2,051 |
| Due to other Department funds | 3 | - | - | 139 | - | 24,493 |
| Due to other State funds | - | - | - | - | - | 35,606 |
| Due to State of Illinois component units | - | - | - | - | - | 8,287 |
| Unearned revenue | - | - | - | - | - | 73,241 |
| Obligations under securities lending of State Treasurer | - | - | - | - | - | 17,809 |
| **Total liabilities** | 3 | - | 28 | 139 | - | 446,409 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue | - | - | - | - | - | 157,515 |
| **Total Deferred Inflows of Resources** | - | - | - | - | - | 157,515 |
| **FUND BALANCES (DEFICITS)** | | | | | | |
| Nonspendable | - | - | - | 159 | 945 | 3,098 |
| Restricted | 681 | - | 533 | 267 | 65 | 28,238 |
| Committed | - | - | - | - | - | 242,696 |
| Unassigned | - | - | - | - | - | (54,034) |
| **Total fund balances (deficits)** | 681 | - | 533 | 426 | 1,010 | 219,998 |
| **Total liabilities, deferred inflows and fund balances (deficits)** | $ 684 | $ - | $ 561 | $ 565 | $ 1,010 | $ 823,922 |

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Prevention and Treatment of Alcoholism and Substance Abuse Block Grant 0013 | Group Home Loan Revolving 0025 | Mental Health 0050 | Vocational Rehabilitation 0081 | Assistance to the Homeless 0100 | Youth Alcoholism and Substance Abuse Prevention 0128 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ 83,373 | $ - | $ 6,609 | $ 134,320 | $ - | $ - |
| Licenses and fees, net of refunds | - | - | - | - | - | 1,161 |
| Interest and investment income | - | 1 | - | - | - | - |
| Other charges for services, net of refunds | - | - | 25,739 | 1 | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | 533 | - | - | - |
| Other revenues, net of refunds | - | - | - | - | 309 | - |
| **Total revenues** | 83,373 | 1 | 32,881 | 134,321 | 309 | 1,161 |
| **EXPENDITURES** | | | | | | |
| Health and social services | 81,589 | (79) | 20,746 | 131,172 | (9) | 1,235 |
| Debt service - principal | - | - | 668 | 90 | - | - |
| Debt service - interest | - | - | 74 | 6 | - | - |
| Capital outlays | - | - | 253 | 743 | - | - |
| **Total expenditures** | 81,589 | (79) | 21,741 | 132,011 | (9) | 1,235 |
| **Excess (deficiency) of revenues over (under) expenditures** | 1,784 | 80 | 11,140 | 2,310 | 318 | (74) |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | - | - | - | - | - | - |
| Transfers-out | - | - | - | - | - | - |
| Leases issued | - | - | - | 306 | - | - |
| **Net other sources (uses) of financial resources** | - | - | - | 306 | - | - |
| **Net change in fund balances** | 1,784 | 80 | 11,140 | 2,616 | 318 | (74) |
| Fund balances (deficits), July 1, 2021 | (1,784) | 232 | 17,832 | 17,565 | 1,001 | 355 |
| Decrease for changes in inventories | - | - | (682) | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ - | $ 312 | $ 28,290 | $ 20,181 | $ 1,319 | $ 281 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Survivors Human Trafficking 0132 | Mental Health Reporting 0148 | Sexual Assault Services and Prevention 0158 | Children's Wellness Charities 0178 | Housing for Families 0181 | DHS Technology Initiative 0211 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ - | $ - | $ - | $ - | $ 5,624 |
| Licenses and fees, net of refunds | - | 2,049 | - | - | - | - |
| Interest and investment income | - | 47 | 4 | - | - | 23 |
| Other charges for services, net of refunds | - | - | 404 | - | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | 5 | - | - | - | - | - |
| **Total revenues** | 5 | 2,096 | 408 | - | - | 5,647 |
| **EXPENDITURES** | | | | | | |
| Health and social services | - | 3,716 | (328) | - | - | 5,513 |
| Debt service - principal | - | - | - | - | - | 4 |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - |
| **Total expenditures** | - | 3,716 | (328) | - | - | 5,517 |
| **Excess (deficiency) of revenues over (under) expenditures** | 5 | (1,620) | 736 | - | - | 130 |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | - | - | - | - | - | - |
| Transfers-out | - | - | - | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | - | - | - | - | - | - |
| **Net change in fund balances** | 5 | (1,620) | 736 | - | - | 130 |
| Fund balances (deficits), July 1, 2021 | 11 | 7,971 | 121 | 36 | 45 | 6,814 |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 16 | $ 6,351 | $ 857 | $ 36 | $ 45 | $ 6,944 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Autism Research Check-off 0228 | Drunk and Drugged Driving Prevention 0276 | Federal National Community Services 0343 | Employment and Training 0347 | Drug Treatment 0368 | Sexual Assault Services 0389 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ - | $ - | $ 1,349,459 | $ - | $ - |
| Licenses and fees, net of refunds | - | 1,264 | - | - | - | - |
| Interest and investment income | - | - | - | - | - | - |
| Other charges for services, net of refunds | - | - | - | - | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | - | - | - | - | 4,210 | 155 |
| **Total revenues** | - | 1,264 | - | 1,349,459 | 4,210 | 155 |
| **EXPENDITURES** | | | | | | |
| Health and social services | - | 1,248 | 3,521 | 1,571,339 | 4,151 | - |
| Debt service - principal | - | - | - | 8 | - | - |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | - | - | 14 | - | - |
| **Total expenditures** | - | 1,248 | 3,521 | 1,571,361 | 4,151 | - |
| **Excess (deficiency) of revenues over (under) expenditures** | - | 16 | (3,521) | (221,902) | 59 | 155 |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | - | - | - | 218,569 | 5,119 | - |
| Transfers-out | - | - | (333) | - | - | - |
| Leases issued | - | - | - | 14 | - | - |
| **Net other sources (uses) of financial resources** | - | - | (333) | 218,583 | 5,119 | - |
| **Net change in fund balances** | - | 16 | (3,854) | (3,319) | 5,178 | 155 |
| Fund balances (deficits), July 1, 2021 | 4 | 681 | - | - | 4,850 | 221 |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 4 | $ 697 | $ (3,854) | $ (3,319) | $ 10,028 | $ 376 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Gaining Early Awareness and Readiness for Undergraduate Programs 0394 | Autism Care 0399 | DHS Special Purposes Trust 0408 | Autism Awareness 0458 | Old Age Survivors Insurance 0495 | Early Intervention Services Revolving 0502 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ - | $ 100,134 | $ - | $ 64,836 | $ 64,654 |
| Licenses and fees, net of refunds | - | - | - | 23 | - | 224 |
| Interest and investment income | - | - | - | - | - | 31 |
| Other charges for services, net of refunds | - | - | - | - | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | - | - | - | - | - | (197) |
| **Total revenues** | - | - | 100,134 | 23 | 64,836 | 64,712 |
| **EXPENDITURES** | | | | | | |
| Health and social services | - | - | 95,717 | 21 | 64,836 | 158,643 |
| Debt service - principal | - | - | - | - | - | 2 |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | - | 9 | - | - | - |
| **Total expenditures** | - | - | 95,726 | 21 | 64,836 | 158,645 |
| **Excess (deficiency) of revenues over (under) expenditures** | - | - | 4,408 | 2 | - | (93,933) |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | - | - | - | - | - | 108,892 |
| Transfers-out | - | - | (15,240) | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | - | - | (15,240) | - | - | 108,892 |
| **Net change in fund balances** | - | - | (10,832) | 2 | - | 14,959 |
| Fund balances (deficits), July 1, 2021 | - | 39 | 69,809 | - | - | 20,895 |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ - | $ 39 | $ 58,977 | $ 2 | $ - | $ 35,854 |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | **DHS Community Services 0509** | **Domestic Violence Abuser Services 0528** | **DHS Federal Projects 0592** | **Special Olympics Illinois 0623** | **DHS State Projects 0642** | **Alcoholism and Substance Abuse 0646** |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ 152 | $ - | $ 114,286 | $ - | $ 93,127 | $ 54,912 |
| Licenses and fees, net of refunds | - | - | - | 15 | - | - |
| Interest and investment income | (824) | - | - | - | - | - |
| Other charges for services, net of refunds | - | - | - | - | - | - |
| Other operating grants, net of refunds | - | - | 103 | - | - | 104 |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | 71 | 29 | - | - | 77 | - |
| **Total revenues** | (601) | 29 | 114,389 | 15 | 93,204 | 55,016 |
| **EXPENDITURES** | | | | | | |
| Health and social services | 18,509 | 31 | 117,591 | 14 | 94,202 | 49,493 |
| Debt service - principal | - | - | - | - | - | - |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - |
| **Total expenditures** | 18,509 | 31 | 117,591 | 14 | 94,202 | 49,493 |
| **Excess (deficiency) of revenues over (under) expenditures** | (19,110) | (2) | (3,202) | 1 | (998) | 5,523 |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | 61,186 | - | - | - | - | - |
| Transfers-out | - | - | - | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | 61,186 | - | - | - | - | - |
| **Net change in fund balances** | 42,076 | (2) | (3,202) | 1 | (998) | 5,523 |
| Fund balances (deficits), July 1, 2021 | 52,349 | 191 | (7,880) | (1) | (90) | (6,040) |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 94,425 | $ 189 | $ (11,082) | $ - | $ (1,088) | $ (517) |

(Continued)

*State of Illinois*
*Department of Human Services*
## Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | **DHS Private Resources 0690** | **U.S.D.A. Women Infants and Children 0700** | **Hunger Relief 0706** | **Serve Illinois Commission 0727** | **Tobacco Settlement Recovery 0733** | **Thriving Youth Income Tax Checkoff 0752** |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ 158,346 | $ - | $ - | $ - | $ - |
| Licenses and fees, net of refunds | - | - | - | - | - | - |
| Interest and investment income | - | - | 3 | - | - | - |
| Other charges for services, net of refunds | - | - | - | - | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | 215 | - | 210 | - | 1,214 | - |
| **Total revenues** | 215 | 158,346 | 213 | - | 1,214 | - |
| **EXPENDITURES** | | | | | | |
| Health and social services | 215 | 158,300 | 250 | - | 1,890 | - |
| Debt service - principal | - | - | - | - | - | - |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - |
| **Total expenditures** | 215 | 158,300 | 250 | - | 1,890 | - |
| **Excess (deficiency) of revenues over (under) expenditures** | - | 46 | (37) | - | (676) | - |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | 4,189 | - |
| Lapsed appropriations | - | - | - | - | (2,299) | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | (1,214) | - |
| Transfers-in | - | - | - | 333 | - | - |
| Transfers-out | - | - | - | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | - | - | - | 333 | 676 | - |
| **Net change in fund balances** | - | 46 | (37) | 333 | - | - |
| Fund balances (deficits), July 1, 2021 | - | (46) | 620 | - | - | 65 |
| Decrease for changes in inventories | - | - | - | | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ - | $ - | $ 583 | $ 333 | $ - | $ 65 |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Local Initiative 0762 | Rehabilitation Services Elementary and Secondary Education Act 0798 | Grant V. Dimas Escrow 0818 | Domestic Violence Shelter and Service 0865 | Maternal and Child Health Services Block Grant 0872 | Community Mental Health Services Block Grant 0876 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ 16,211 | $ 434 | $ - | $ - | $ - | $ 35,879 |
| Licenses and fees, net of refunds | - | - | - | - | - | - |
| Interest and investment income | - | - | 5 | - | - | - |
| Other charges for services, net of refunds | - | - | - | - | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | - | 400 | - | 470 | - | - |
| **Total revenues** | 16,211 | 834 | 5 | 470 | - | 35,879 |
| **EXPENDITURES** | | | | | | |
| Health and social services | 16,208 | 600 | (1,335) | 522 | - | 35,879 |
| Debt service - principal | 3 | - | - | - | - | - |
| Debt service - interest | - | - | - | - | - | - |
| Capital outlays | - | 54 | - | - | - | - |
| **Total expenditures** | 16,211 | 654 | (1,335) | 522 | - | 35,879 |
| **Excess (deficiency) of revenues over (under) expenditures** | - | 180 | 1,340 | (52) | - | - |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | 2,503 | - |
| Lapsed appropriations | - | - | - | - | (2,503) | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | - | - | - | - | - | - |
| Transfers-out | - | - | (1,366) | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | - | - | (1,366) | - | - | - |
| **Net change in fund balances** | - | 180 | (26) | (52) | - | - |
| Fund balances (deficits), July 1, 2021 | - | 751 | 26 | 486 | - | - |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ - | $ 931 | $ - | $ 434 | $ - | $ - |

(Continued)

*State of Illinois*
*Department of Human Services*
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Homelessness Prevention Revenue 0889 | Youth Drug Abuse Prevention 0910 | Juvenile Justice Trust 0911 | DHS Recoveries Trust 0921 | DHS Other Special Trusts 1139 | DHS Rehabilitation 1144 |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ - | $ 1,456 | $ - | $ 226 | $ - |
| Licenses and fees, net of refunds | - | - | - | - | - | - |
| Interest and investment income | - | - | - | - | 5 | - |
| Other charges for services, net of refunds | - | - | - | 15,237 | - | - |
| Other operating grants, net of refunds | - | - | - | - | - | - |
| Other taxes, net of refunds | - | - | - | - | - | - |
| Other revenues, net of refunds | - | 221 | - | - | 287 | 277 |
| **Total revenues** | - | 221 | 1,456 | 15,237 | 518 | 277 |
| **EXPENDITURES** | | | | | | |
| Health and social services | 947 | - | 1,378 | 8,686 | 556 | 258 |
| Debt service - principal | - | - | - | 21 | - | - |
| Debt service - interest | - | - | - | 1 | - | - |
| Capital outlays | - | - | - | - | - | - |
| **Total expenditures** | 947 | - | 1,378 | 8,708 | 556 | 258 |
| **Excess (deficiency) of revenues over (under) expenditures** | (947) | 221 | 78 | 6,529 | (38) | 19 |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | - |
| Lapsed appropriations | - | - | - | - | - | - |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | - |
| Transfers-in | 1,545 | - | - | - | - | - |
| Transfers-out | - | - | - | - | - | - |
| Leases issued | - | - | - | - | - | - |
| **Net other sources (uses) of financial resources** | 1,545 | - | - | - | - | - |
| **Net change in fund balances** | 598 | 221 | 78 | 6,529 | (38) | 19 |
| Fund balances (deficits), July 1, 2021 | 1,881 | 304 | (126) | (40,655) | 739 | 89 |
| Decrease for changes in inventories | - | - | - | - | - | - |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 2,479 | $ 525 | $ (48) | $ (34,126) | $ 701 | $ 108 |

(Continued)

*State of Illinois*
*Department of Human Services*

# Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | Special Revenue | | | Permanent | | |
|---|---|---|---|---|---|---|
| | **DHS/DORS Special Revenue 1149** | **Food Stamp and Commodity 1245** | **Vending Facility Program for the Blind 1385** | **DHS/DORS Permanent Trust 1150** | **Burr Bequest 1272** | **Total** |
| **REVENUES** | | | | | | |
| Federal operating grants, net of refunds | $ - | $ 6,648,132 | $ - | $ - | $ - | $ 8,932,170 |
| Licenses and fees, net of refunds | - | - | - | - | - | 4,736 |
| Interest and investment income | - | - | - | 12 | 1 | (692) |
| Other charges for services, net of refunds | - | - | - | - | - | 41,381 |
| Other operating grants, net of refunds | - | - | - | - | - | 207 |
| Other taxes, net of refunds | - | - | - | - | - | 533 |
| Other revenues, net of refunds | 320 | - | 159 | 35 | - | 8,467 |
| **Total revenues** | 320 | 6,648,132 | 159 | 47 | 1 | 8,986,802 |
| **EXPENDITURES** | | | | | | |
| Health and social services | 230 | 6,648,132 | 237 | 6 | - | 9,295,830 |
| Debt service - principal | - | - | - | - | - | 796 |
| Debt service - interest | - | - | - | - | - | 81 |
| Capital outlays | - | - | - | - | - | 1,073 |
| **Total expenditures** | 230 | 6,648,132 | 237 | 6 | - | 9,297,780 |
| **Excess (deficiency) of revenues over (under) expenditures** | 90 | - | (78) | 41 | 1 | (310,978) |
| **OTHER SOURCES (USES) OF FINANCIAL RESOURCES** | | | | | | |
| Appropriations from State resources | - | - | - | - | - | 6,692 |
| Lapsed appropriations | - | - | - | - | - | (4,802) |
| Receipts collected and transmitted to State Treasury | - | - | - | - | - | (1,214) |
| Transfers-in | - | - | - | - | - | 395,644 |
| Transfers-out | - | - | - | - | - | (16,939) |
| Leases issued | - | - | - | - | - | 320 |
| **Net other sources (uses) of financial resources** | - | - | - | - | - | 379,701 |
| **Net change in fund balances** | 90 | - | (78) | 41 | 1 | 68,723 |
| Fund balances (deficits), July 1, 2021 | 591 | - | 611 | 385 | 1,009 | 151,957 |
| Decrease for changes in inventories | - | - | - | - | - | (682) |
| **FUND BALANCES (DEFICITS), June 30, 2022** | $ 681 | $ - | $ 533 | $ 426 | $ 1,010 | $ 219,998 |

*State of Illinois*
*Department of Human Services*
# Combining Statement of Fiduciary Net Position - Custodial Funds
**June 30, 2022 (Expressed in Thousands)**

| | DHS Resident's Trust 1143 | DHS/DORS Agency 1147 | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 5,307 | $ 7 | $ 5,314 |
| Investments | 894 | - | 894 |
| Due from other government - federal | 29 | - | 29 |
| Due from other Department funds | - | 12 | 12 |
| **Total assets** | 6,230 | 19 | 6,249 |
| **LIABILITIES** | | | |
| **Total liabilities** | $ - | $ - | $ - |
| **NET POSITION** | | | |
| Restricted for: | | | |
| Individuals | 6,230 | 19 | 6,249 |
| **Total net position** | $ 6,230 | $ 19 | $ 6,249 |

*State of Illinois*
*Department of Human Services*

# Combining Statement of Changes in Assets and Liabilities - Custodial Funds

**For the Year Ended June 30, 2022 (Expressed in Thousands)**

| | DHS Resident's Trust 1143 | DHS/DORS Agency 1147 | Total |
|---|---|---|---|
| **Additions** | | | |
| Interest and other investment income | $ 87 | $ - | $ 87 |
| Resident deposits received | 2,501 | - | 2,501 |
| Other additions | - | 23 | 23 |
| **Total additions** | 2,588 | 23 | 2,611 |
| **Deductions** | | | |
| Custodial fund disbursed | 3,736 | - | 3,736 |
| Other deductions | - | 18 | 18 |
| **Total deductions** | 3,736 | 18 | 3,754 |
| **Net Increase (decrease) in fiduciary net position** | (1,148) | 5 | (1,143) |
| Net position July 1, 2021 | 7,378 | 14 | 7,392 |
| **Net position June 30, 2022** | $ 6,230 | $ 19 | $ 6,249 |

RSM

RSM US LLP

**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***

**Independent Auditor's Report**

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Human Services (Department), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated July 24, 2023. Our report included Emphasis of Matters for the adoption of GASB Statement No. 87, *Leases*, and to indicate the financial statements of the Department are not intended to present the financial position and the respective changes in financial position of the State of Illinois. Our opinions are not modified with respect to these matters.

**Report on Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-005, 2022-007 and 2022-008 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-006 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2022-002 and 2022-007.

**State of Illinois, Department of Human Services' Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Department's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

**State of Illinois, Department of Healthcare and Family Services' Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Illinois, Department of Healthcare and Family Services' responses to the findings identified in our audit and described in the accompanying Schedule of Findings for items 2022-004 through 2022-008. The State of Illinois, Department of Healthcare and Family Services' responses were not subjected to the other auditing procedures applied to the audit of the financial statements and accordingly, we express no opinion on the responses.

**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 Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 24, 2023

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 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.

The individuals at the Department responsible for drawing federal award monies are not tracking expenditures paid by fund and reporting this information to the Department's Office of Fiscal Services (Fiscal Services) which is responsible for recording grant transactions. In addition, the individuals depositing federal award draws are not always depositing the money into the same funds in which the program expenditures were paid. This is more frequently an issue for Department programs funded by more than one fund, such as the Childcare and the Temporary Assistance for Needy Families (TANF) programs, or programs which receive cost allocations. Further, the Department did not sufficiently monitor the transmission of expenditure data to the Department of Healthcare and Family Services (HFS) for certain Medicaid funded / waiver programs used for federal claiming. As a result, the Department under-reported expenditure amounts on the SCO forms for Funds 0365 (Health and Human Services, an account of the General Fund) and 0509 (DHS Community Services) and did not detect that these two funds earned but did not receive Federal Operating Grant Revenue, nor were the amounts recorded as receivables.

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 SCO-563 *Grant /Contract Analysis*, SCO-567, *Interfund Transfers – Grantee Agency,* and SCO-568 *Interfund Transactions – Grantor Agency*.

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 required multiple revisions through February 24, 2023. The most significant errors are detailed below.

**Corrected Misstatements:**

1) Included in the errors was an adjustment for $41.9 million in the General Revenue Fund (0001). In March 2023, the Department communicated to auditors that there were qualifying expenditures incurred for a new grant award (10% enhanced match federal award for certain expenditures for home and community-based services (HCBS)), that had not been recorded as expenditures, receivables or revenues in the SCO Forms or in the original draft financial statements. Included in a letter provided by CMS (Centers for Medicare & Medicaid Services) dated May 13, 2021 and addressed to State Medicaid Directors (which includes HFS), was an award for additional funding which was based on an increased Federal rate applied to HCBS for a specified period of time. This award is required to be used for providing enhanced HCBS and is considered to be an expenditure-driven grant. Based on the award requirements communicated, the Department incurred $41.9 million in qualifying expenditures for enhanced HCBS during fiscal year 2022. As of March 31, 2023, this earned amount had not been provided to the Department by HFS. HFS considers the amount received from the Federal government through their right of offset with other Medicaid related over-draws.

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 Inadequate Internal Controls over Accounting for Federal Awards (Continued)**

As a result of the omission of this additional award from the SCO Forms for the General Revenue Fund, the draft financial statements understated Due From Other State Funds and Federal Operating Grant Revenue by $41.9 million, in the General Fund and Governmental Activities.

Also in the General Revenue Fund, $8.3 million in cash receipts and cash disbursements relating to the SNAP State Administrative Matching Grant were double counted. This and other changes to the SCO-563 Form were required resulting in an adjustment to decrease the amount Due From Other Governments – Federal and Unavailable Revenue ($5.6 million), increase Unearned Revenue ($2.0 million), and decrease Federal Operating Grant Revenue ($2.0 million).

Further, during the audit it was noted that General Revenue Fund expenditures for the Social Services Block Grant (SSBG) ALN 93.667 were overstated in fiscal year 2020 by $29.6 million, resulting in a balance remaining in Due from Other Governments – Federal and Unavailable Revenue. The balances for Due from Other Governments – Federal, and Unavailable Revenue were written off in fiscal year 2022. The resulting adjustment in governmental activities was reported as a reduction to fiscal year 2022 Federal Operating Grant Revenue. As a result of the entry recorded, Federal Operating Grant Revenue in the General Fund was understated and opening net position was overstated in Governmental Activities.

2) In the Vocational Rehabilitation Fund (0081), expenditures in the SCO-563 form were overstated by $6.6 million resulting in an overstatement of Federal Operating Grant Revenue and Due from Other Governments – Federal.

3) In the Community Developmental Disabilities Services Medicaid Trust Fund (0142), the Department recognized all cash deposited into the fund by HFS as revenue. However, receipts exceeded qualifying expenditures incurred which resulted in an overstatement of Federal Operating Grant Revenue, and an understatement of Unearned Revenue of $23.6 million.

4) A transfer of COVID-19 related grant funding between two funds - State C.U.R.E. Fund (0324) and DHS State Projects Fund (0642) was not accounted for correctly resulting in a $20 million understatement of cash in the DHS State Projects Fund (0642), which was not detected and corrected during the Department's bank reconciliation process. Interfund balances between the two funds were understated by the same amount due to the lack of qualifying expenditures in Fund 0642.

5) In the Employment and Training Fund (0347), cash receipts and cash disbursements related to the COVID-19 Temporary Assistance to Needy Families (TANF) award ($20.4 million) were included in cash receipts for the regular TANF Program in the SCO-563 form, and the related COVID-19 expenditures were omitted which overstated Federal Operating Grant Revenue and understated Unearned Revenue by $20.4 million.

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 Inadequate Internal Controls over Accounting for Federal Awards (Continued)**

Additionally, expenditures and receipts between three Childcare Program assistance listing numbers (ALNs) for the Employment and Training Fund were misstated which led to overstatements of Unearned Revenue ($257.8 million), Due from Other Governments – Federal ($189.3 million) and Unavailable Revenue ($181.0 million). Federal Operating Grant Revenue was understated $249.5 million.

The Employment and Training Fund's SCO-563 Form also listed expenditures that were incurred in other funds ($8.3 million - Fund 0001 and $15.2 million - Fund 0408) which overstated Federal Operating Grant Revenue in the Employment and Training Fund ($23.5 million) and understated Transfers-in. This situation also understated Federal Operating Grant Revenue and Transfer-out, within those other funds.

Also, in the Employment and Training Fund, the total of childcare program receipts were overstated by $7.4 million resulting in an understatement of Due from Other Governments – Federal and Unavailable Revenue.

6) In the DHS Special Purposes Trust Fund (0408), cash receipts and cash disbursements relating to the SNAP State Administrative Matching Grant were double counted resulting in overstatements of the balances in Due from Other Governments – Federal ($13.9 million), Unearned Revenue ($4.2 million), and Unavailable Revenue ($9.7 million). Other errors were noted in the SCO 563 Form which resulted in overstatements of Due from Other Governments – Federal ($3.5 million), and Unavailable Revenue ($7.8 million), and understatements of Unearned Revenue ($3.2 million) and Federal Operating Grant Revenue ($1.1 million).

7) In the DHS Federal Projects Fund (0592), revenue was recognized in advance of expenditures being incurred for the FEMA Disaster award ($4.6 million), and the Rental Assistance Program award ($10.3 million) resulting in an overstatement of Federal Operating Grant Revenue of $14.9 million, an understatement of Unearned Revenue of $10.3 million, and an overstatement of Due from Other State Funds of $4.6 million.

Other than the misstatement caused by correcting the FY2020 error in FY2022 as noted above for the SSBG program (noted in item 1 above), the errors reflected above were corrected in the final financial statements. The aggregated impact on Governmental Activities, the General Fund, and Nonmajor Special Revenue funds were as follows:

| **Governmental Activities** | Dr (Cr) | **General Fund summary** | Dr (Cr) | **Nonmajor summary** | Dr (Cr) |
|---|---|---|---|---|---|
| Asset | (157,804) | Asset | 18,487 | Asset | (176,291) |
| Liability/Deferred inflows | 181,175 | Liability/Deferred inflows | 8,599 | Liability/Deferred inflows | 384,950 |
| Revenue | (3,371) | Revenue/transfers-in | (15,415) | Revenue/transfers-in | (223,899) |
| Expense | (20,000) | Expense/transfers-out | (11,671) | Expense/transfers-out | 15,240 |

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 Inadequate Internal Controls over Accounting for Federal Awards (Continued)**

**Uncorrected Misstatements:**

Other errors relating to grant transactions were deemed immaterial by the Department and not recorded. These errors arose from differences between expenditures reported in various SCO Forms exceeding actual expenditures reported in the related governmental funds in the financial statements ($4 million and $14 million for the General Fund and Nonmajor Governmental Funds, respectively). In these instances, grant revenue was calculated based on expenditures (accrual basis) which exceeded total expenditures in the respective fund financial statement (revenue overstated). Additionally, there were variances between the calculated revenue per the SCO Forms compared to the entries made to record the accrual entries which impact revenue. These errors totaled $9 million (understatement) and $4 million (overstatement) in the General Fund and Nonmajor Governmental Funds, respectively. Further, the correction relating to the write-off of the opening unavailable revenue for the SSBG program resulted in an overstatement of opening (7/1/2021) net position for governmental activities and an understatement of Federal Operating Grant Revenue for Governmental Activities. Finally, the under-reporting of expenditures for Medicaid funded and waiver programs for Developmental Disability (DD) programs resulted in an understatement of receivables and unavailable revenue in the General Fund and Nonmajor Governmental funds of $12.3 million and $6.8 million, respectively. The impact on Governmental Activities was an understatement of receivables and revenues in the amount of $19.1 million.

In total, uncorrected misstatements were a revenue overstatement (understatement) of approximately ($5) million, $10 million, and ($57) million in the General Fund, Nonmajor Governmental Funds, and Governmental Activities, respectively.

**Timeliness of Disclosures to Auditors**

Two of the errors described above were brought to the attention of auditors' months after the end of the fiscal year, and after four previous financial statement drafts had been provided. As noted in item 1 of this finding, auditors were provided information in March 2023 about additional HCBS receivables which management should have been aware of since the start of the fiscal year when it was communicated by Federal CMS. Additionally, the under reporting of DD program expenditures for Medicaid funded and waiver programs was not communicated to auditors until June 2023, despite management becoming aware of the issue in November 2022.

GASB Codification Section N50 provides the authoritative guidance for reporting nonexchange transactions. The majority of the Department's Federal awards are voluntary nonexchange transactions which are considered expenditure-driven or reimbursement-type grants. For these award types, the provider (Federal agency) stipulates that a recipient (the Department) cannot qualify for resources without first incurring allowable costs under the provider's program (eligibility requirement). Recipients of voluntary nonexchange transactions should recognize receivables (or a decrease in liabilities) and revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements, including time requirements, are met.

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 Inadequate Internal Controls over Accounting for Federal Awards (Continued)**

Under a good system of internal control, detailed records of monthly grant transactions should be maintained for each Federal award, by fund, and reconciled to the general ledger by fund, to ensure amounts used to calculate receivables, unearned amounts, unavailable amounts and revenue are accurate in each Fund's SCO forms. Additionally, The Illinois State Auditing Act (30 ILCS 5/3-12) requires the Department to aid and assist the Auditor General, or his designated representatives, in the exercise of his powers and duties. Such duties, include but are not limited to performing the Department's annual financial audit, which involves the auditors receiving prompt disclosure of known events, conditions, and transactions which could impact either an ongoing audit or previously released audit.

Department management indicated the errors were mainly due to a changeover to a new financial accounting system, the State's Enterprise Resource Planning (ERP) System. Changes to the financial reporting system required Department staff to create new reports with different parameters than were used in the previous reporting system. Additionally, other errors resulted from additional COVID-19 related grant funding in fiscal year 2022 which then had to be separated from ongoing programs. Finally, Department management indicated the discovery of the above 2 issues relating to HCBS and DD programs were not reported earlier to the Office of the Auditor General or his representatives because the Department had not fully quantified the total errors until right before providing the information to the auditors.

As a result of errors in the SCO forms used as a basis for recording financial statement transactions, the draft financial statements required several material adjusting entries. Also, failure to timely disclose two of the errors noted above to auditors delayed completion of the Department's financial audit and has delayed the completion of the State's ACFR. Further, the absence of timely information provided to the auditors delayed the release of the applicable financial statement audit report and significantly increases the risk that operational or strategic decisions are not made using recent and relevant information, or decisions may be delayed because recent relevant information is not otherwise available. (Finding Code No. 2022-001)

**Recommendation**

We recommend 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 Governments – 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.

Additionally, we recommend Department management promptly disclose known events, conditions, and transactions of the Department which could impact either an ongoing audit or previously released audit performed by the Office of the Auditor General, even if the full ramifications of the matter are not yet known.

**Current Findings – *Government Auditing Standards***

**Finding 2022-001 Inadequate Internal Controls over Accounting for Federal Awards (Continued)**

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department will include a reconciliation of federal grant receipts and expenditures to the general ledger in the ERP system for all ALN's included on each SCO563. Balances reported on the SCO563's will also be compared to the corresponding funds in the draft financial statements. Any large balances on the SCO563 related to Due from the Federal Government, Unearned Revenue and Unavailable Revenue will also be researched and the underlying reasons noted. The Department will promptly disclose any known events, conditions or transactions that could affect current or previously issued audits performed by the Office of the Auditor General, in the event, that such concerns are identified.

**Current Findings – *Government Auditing Standards***

**Finding 2022-002 Medical Assistance Program Financial Information**

The Department of Human Services (Department) does not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the Department's financial statements.

During our testing of the financial statements and supporting documentation, we noted the following:

- The Department could not provide documentation of the preparation or the Department's review of expenditure reconciliations for Federal Medical Assistance Program (MAP) funds or the State Children's Health Insurance Program (CHIP) (Funds 0120, 0142, 0211, 0365, 0502, 0509, 0718) between amounts reported in the Department's general ledger system (ERP) and amounts reported in the Grant/Contract Analysis Forms (Form SCO-563s) provided to the Office of Comptroller (IOC) which support the receivable and revenue calculation for financial reporting. The amount per the Form SCO-563s (totaling approximately $364 million for total reimbursable costs "TRC" for Assistance Listing Numbers (ALN) 93.767 and 93.778), is a computed amount (a formula), essentially the amount needed to achieve the reported receivable balance provided by the Department of Healthcare and Family Services (HFS), a separate State agency, or a maximum amount for funds which have a statutory deposit limit. The Department does not retain a reconciliation between what is reported on the Form SCO-563s (claimable expenditures) and within ERP (all expenditures) for each fund which identifies which expenditures were used for claiming the federal award. Additionally, there is no documentation maintained by the Department to support the calculation and methodology used by HFS in preparing the net federal receivable amount (approximately $739 thousand for the two ALNs).

- During testing of expenditures and liabilities, we determined that the Department is not monitoring or reviewing the payments submitted by HFS, or the liabilities calculated by HFS, on behalf of the Department and reported in the Department's financial statements. When HFS submits a request for payment to the IOC, a summary file is also sent to the Department which goes through an interface and is recorded into ERP. An employee in the Department's Office of Fiscal Services reconciles the payments between ERP and the IOC before accepting them into ERP. Although, the Department has documented their understanding of how transactions for DHS programs are processed within HFS, the Department was not able to provide auditors with documentation of their monitoring performed over the amounts reported in the Department's financial statements.

- Additionally, the Department is placing reliance on the internal control over the applicable HFS system without recent independent verification of the system. Currently, the Department receives summarized information from HFS and records the transactions into ERP and the SCO-563 forms without performing sufficient procedures to determine the accuracy of the information.

A good system of internal control requires that management review all significant accounts and balances recorded in the financial statements for accuracy, which includes transactions initiated by other State agencies.

**Current Findings – *Government Auditing Standards***

**Finding 2022-002 Medical Assistance Program Financial Information (Continued)**

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to 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.

This finding was first noted during the Department's financial audit of the year ended June 30, 2017. In subsequent years, the Department has been unable to fully implement its corrective action plan.

Department management indicated they rely on the HFS Bureau of Claims Processing and the controls in the Medicaid Management Information System (MMIS). Although management has outlined a corrective action plan to address the findings, Department management stated, as it did in the prior year, the plan was not executed prior to June 30, 2022.

Lack of sufficient internal controls over transactions and balances recorded in the Department's financial statements increases the likelihood of misstatements. (Finding Code No. 2022-002, 2021-001, 2020-001, 2019-001, 2018-001, 2017-002)

**Recommendation**

We recommend the Department assume more responsibility for the transactions and balances reported in its financial statements that are initiated/estimated by other State agencies, including the following:

- The Department should enter into an interagency agreement (IA) with HFS that details the responsibilities of each agency with regards to initiating, processing and recording transactions, and how the sufficiency of internal control over Department transactions will be monitored (i.e. annual internal audit, SOC 1 Type 2 audit, or other).

- Once an IA is executed, on a regular basis, the Department should determine if the control system and related monitoring agreed to through the IA is sufficient to prevent and detect significant financial statement errors. The sufficiency of internal control should be monitored each time there is a major change to Federal MAP/CHIP programs or IT systems used for those programs.

- Expenditure and accrual amounts provided by HFS in connection with year-end reporting of Federal MAP receivables should be reconciled to ERP or agreed to reports and source data compiled by HFS.

**Current Findings – *Government Auditing Standards***

**Finding 2022-002 Medical Assistance Program Financial Information (Continued)**

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will pursue an interagency agreement with HFS and monitor audits and reviews performed on HFS data and internal controls. The Department will research ways to reconcile Federal MAP receivable data provided by HFS to DHS data contained in ERP.

**Current Findings – *Government Auditing Standards***

**Finding 2022-003 Other Accounts Receivable Misstatement**

The Department of Human Services (Department) did not have sufficient internal control over accounting for accounts receivable balances for recipient services overpayments in the Department's draft financial statements.

The Other Receivables balance in the DHS Recoveries Trust Fund (Fund 0921) contains receivables tracked in two systems, ARS (Accounts Receivable System) and the ERP (Enterprise Resource Planning) System. In preparing the June 30, 2022 financial statements, we noted the Department only recorded the receivable balance tracked in the ARS for Fund 0921. The omission of receivables tracked in the ERP System resulted in a understatement of $35 million for Other Receivables, an understatement of the Allowance for Doubtful Accounts - $21 million, and an understatement of unavailable revenue - $14 million, in the Department's Non-major Governmental Funds financial statements. Additionally, Other Receivables, net of the allowance and Other Charges for Services revenues were understated by $14 million in the Governmental Activities financial statements. These errors were corrected in the final financial statements.

A good system of internal control requires management to review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy. In accordance with GASB Codification N50 Nonexchange Transactions, providers of resources in a nonexchange transaction should recognize an increase in assets and revenue (subject to availability) for the amount that the provider is expected to cancel or reclaim.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to 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 management indicated the error was due to staff oversight when preparing the GAAP package for Fund 0921.

Failure to implement appropriate internal control procedures over the reporting of accounts receivable led to misstatements of the Department's financial statements. In addition, inaccurate reporting hinders effective management and safeguarding of State resources. (Finding Code No. 2022-003)

**Recommendation**

We recommend the Department improve internal controls over tracking and recording accrual entries related to year-end accounts receivable financial reporting.

**Current Findings – *Government Auditing Standards***

**Finding 2022-003 Other Accounts Receivable Misstatement**

**Department Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS has noted in the fund 0921 fund file that both ARS and ERP data must be used when calculating the Other Receivables amount.

**Current Findings – *Government Auditing Standards***

**Finding 2022-004 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)**

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") lacked the ability to perform a full disaster recovery and lacked adequate disaster recovery controls over the Integrated Eligibility System (IES).

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

The Departments did not have full disaster recovery functionality and consequently have not conducted disaster recovery testing over IES since 2019.

In addition, although the Department of Human Services' Disaster Recovery Plan (Plan) addresses the recovery and operation of IES, we noted the Plan did not include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- Did not fully depict the current environments.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unsuccessful in fully implementing a corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(2)(ii)(F), *ADP System Security Requirements and Review Process*, requires the Departments' automated data processing (ADP) security plan, policies and procedures to include contingency plans to meet critical processing needs in the event of short or long-term interruption of service.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Fifth Revision, *Security and Privacy Controls for Federal Information Systems and Organizations*, Contingency Planning section, includes disaster recovery plans and the testing of disaster recovery plans as baseline security controls integral to ensuring appropriate security requirements and controls are applied to information systems.

The Departments' management indicated IES servers are being migrated as part of the IES technology refresh project.

The lack of an adequate disaster recovery plan and the lack of functionality with which to perform full disaster recovery could result in the Departments' inability to recover IES data in the event of a disaster, which could be detrimental to recipients of benefits, and the Departments', and State's operations. (Finding Code No. 2022-004, 2021-007, 2020-009, 2019-009)

**Current Findings – *Government Auditing Standards***

**Finding 2022-004 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) (Continued)**

**Recommendation**

We recommend the Departments work with DoIT to allocate sufficient resources to enable a full recovery of IES in the event of a disaster. Additionally, in the interim, we recommend the Departments work with DoIT to develop a prioritization plan and emergency operating procedures to allow IES to operate under reduced capacity in the event of a disaster.

We further recommend management of the Departments enhance the Disaster Recovery Plan to include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- The current environment for all areas.

Finally, we recommend the Departments perform disaster recovery testing on a regular basis as defined in the Plan.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The IDHS will continue to work with the Department of Innovation and Technology (DoIT) to update the IDHS agency Disaster Recovery Plan to include documentation of facility-specific Continuation of Operations plans and procedures. Furthermore, the IDHS will continue to work with DoIT to finalize the IES Information System Contingency Plan and to complete and document a tabletop exercise during this fiscal year.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services and the Department of Innovation and Technology to implement the recommendation.

**Current Findings – *Government Auditing Standards***

**Finding 2022-005 Inadequate General Information Technology Controls over IES**

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") had weaknesses in the general information technology (IT) controls over the Integrated Eligibility System (IES).

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

In addition to the conditions noted below, related IES issues over the lack of a detailed interagency agreement are noted in Finding 2022-006, and issues over disaster recovery controls are noted in Finding 2022-004.

*Environment*
The IES application and data reside on the Department of Innovation and Technology (DoIT) environment. In this regard, DoIT is a service provider (SP) to the Department.

During the Departments' internal security review, completed as part of its Plan of Actions and Milestones (2022) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), significant threats over DoIT's general IT environment, which hosts IES, were identified.

Further, during our fieldwork it was noted the Departments experienced two security breaches related to the IES system; the first breach occurred in August 2022, and the second breach was discovered in March 2023. Information about both breaches is disclosed in the notes to the financial statements as subsequent events.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Department to be responsible for the security of all automated data processing (ADP) system projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The Department is required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

Federal CMS' *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states protecting and ensuring the confidentiality, integrity, and availability of state Marketplace information, common enrollment information, and associated information systems is the responsibility of the states.

The Departments' management indicated a multi-year IES technology refresh project was in progress.

The Departments' failure to maintain adequate internal controls over the security environment of the IES application led to two security breaches and increases the risk IES may be exposed to further malicious attacks, security breaches, and unauthorized access to recipients' personal information.

**Current Findings – *Government Auditing Standards***

**Finding 2022-005 Inadequate General Information Technology Controls over IES (Continued)**

*Change Control*

<u>IES Application Changes - Policies and Procedures</u>

The Departments indicated there were no updates to the change control policies and procedures during fiscal year 2022. Our review of the April 20, 2020 IES Change Management Plan (Plan) noted the Plan did not:

- Define the requirements for the prioritization or classification of changes,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

Additionally, we noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (Code) (2 C.F.R. § 200.303) requires the Departments to establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions and comply with federal statutes, regulations and terms and conditions of the Medicaid Program.

These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Code (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-128, *Guide for Security-Focused Configuration Management of Information Systems*, states critical elements are to include:

- Developed and documented policies, plans, and procedures, and
- Proper authorization, testing, approval and tracking of all changes.

Furthermore, NIST, Special Publication 800-53, Fifth Revision, *Security and Privacy Controls for Federal Information Systems and Organizations*, Configuration section, states policies and procedures should be in place detailing who can authorize modifications and how the authorizations are to be documented. Additionally, documentation of authorizations should be obtained prior to implementation.

**Current Findings – *Government Auditing Standards***

**Finding 2022-005 Inadequate General Information Technology Controls over IES (Continued)**

The Departments' Change Management Policy and Procedure requires each change to IES to have impact scores completed, Departments' approval of the requirements and design documents, a ServiceNow ticket, release notes, and be approved by the IES Bureau Chief to move the change to the production environment.

The Departments' management indicated the change management policies and procedures are in the process of being updated, however they are not yet complete due to other competing priorities.

Failure to establish and adhere to robust internal controls over changes to IES diminishes the Departments' ability to secure IES as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration.

*User Access*
<u>IES User Access Policies and Procedures</u>
The Departments indicated there were no updates to IES user access policies and procedures during fiscal year 2022. During our testing of the Departments' access provisioning policies, we noted the policies did not define the time-period in which the Departments were required to disable a terminated individual's system access. Also, there was no systemic record of the date when the access was removed, or a management-defined definition of timeliness. Therefore, we were unable to determine whether user access was removed timely when a user was transferred or terminated.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621 (f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Fifth Revision, *Security and Privacy Controls for Federal Information Systems and Organizations*, Access Control section, states an entity is to define within policies and procedures personal security transactions, establishment and termination of access, based on assessed risk of the entity's environment. Additionally, the U.S. Department of Health and Human Services' Security Rule adopted pursuant to the Health Information Portability and Accountability Act and published within the Code (45 C.F.R. § 164.308(a)(3)(ii)(C)) requires the Departments to implement "procedures for terminating access to electronic protected health information when the employment of, or other arrangement with, a workforce member ends."

The Departments' management stated the IES Access Policy was in the process of being updated during fiscal year 2022, to include timelines of access terminations, but was not finalized until August 2022 (fiscal year 2023) due to competing priorities.

The Departments' failure to define the timeframe in which user access rights should be removed in the IES system upon termination increases the risk IES may be accessed by individuals who are not authorized to access recipients' personal and health information.

Findings over the IES Environment, Change Control, and User Access were first noted during the Departments' financial audits of the year ended June 30, 2017. In subsequent years, the Departments have been unsuccessful in fully implementing corrective action plans. (Finding Code No. 2022-005, 2021-005, 2021-006, 2020-007, 2020-008, 2019-008, 2018-010, 2017-010)

**Current Findings – *Government Auditing Standards***

**Finding 2022-005 Inadequate General Information Technology Controls over IES (Continued)**

**Recommendation**

We recommend management of both Departments work together to strengthen controls over the IES environment by addressing all significant threats identified in the Plan of Actions and Milestones (2022) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

We also recommend management of both Departments strengthen controls in the IES Change Management Plan by including:

- Specific requirements for the prioritization or classification of changes,
- Definitions of the numerical grading for determining impact,
- Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation,
- Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required, and
- Requirements for backout plans to return the system to a previous functional version in the event a change moved into production causes undesired results, for individual infrastructure changes.

Further, we recommend management of the Departments enhance internal control over IES user access by adopting a formal written policy or procedure which includes a definition of “timely” for disabling an individual’s access to the IES system, and a process for tracking whether access was revoked timely based on the definition.

**Department of Human Services’ Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Innovation and Technology (DoIT) to resolve outstanding Plan of Action and Milestones (POAM) as expeditiously as possible. IDHS has updated its IES Change Management policy and procedures to ensure it meets auditor recommendations. IDHS will work with DoIT to develop a system change backout process for infrastructure changes. In FY23, IDHS published additional details on its OneNet regarding the review and timeline for termination of IES access by the Regional Systems Monitors. Also, IDHS and HFS are currently working with DoIT and the service provider to implement a solution in the IES application, which will provide for tracking of user access provisioning and termination.

**Department of Healthcare and Family Services’ Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services and the Department of Innovation and Technology to implement the recommendation.

**Current Findings –** ***Government Auditing Standards***

**Finding 2022-006 Detailed Agreement Between the Department of Human Services, the Department of Healthcare and Family Services and the Department of Innovation and Technology (DoIT) over IES not Finalized**

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") did not finalize an interagency agreement (IA) with the Department of Innovation and Technology (DoIT) during fiscal year 2022 to define each of the three agency's roles and responsibilities with respect to the Integrated Eligibility System (IES).

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' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Departments' IES application and data resides on DoIT's environment. In addition, DoIT's staff is responsible for coordinating and making changes to the IES application and data after receiving approved instructions from the Departments. Furthermore, DoIT's staff assists the Departments with user access security.

Additionally, as set by the State of Illinois' State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State has designated agency responsibility for administering and supervising the administration of the Medicaid Program to HFS. However, Section 1.1 of the State Plan allows HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery).

Auditor Testing and Results

*Interagency Agreement*
During our audit, we noted the Departments had drafted an interagency agreement with DoIT defining the roles and responsibilities for each agency (DHS, HFS and DoIT), however, it was not executed during fiscal year 2022.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unsuccessful in fully implementing a corrective action plan.

**Current Findings – *Government Auditing Standards***

**Finding 2022-006 Detailed Agreement Between the Department of Human Services, the Department of Healthcare and Family Services and the Department of Innovation and Technology (DoIT) over IES not Finalized (Continued)**

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (2 C.F.R. § 200.303), requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the Unites States or the "Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Departments to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over State's resources.

The Departments' management indicated the IA had been delayed due to turnover of staff involved in the process.

The Departments' failure to execute the appropriate IA increases the risk that IES functions will not be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2022-006, 2021-008, 2020-010, 2019-010)

**Recommendation**

We recommend management of the Departments complete and execute the IES intergovernmental agreement which defines the roles and responsibilities of DHS, HFS and DoIT.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. The IES intergovernmental agreement was fully executed on March 16, 2023.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The IES intergovernmental agreement was fully executed on March 16, 2023.

**Current Findings – *Government Auditing Standards***

**Finding 2022-007 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Timely Execute Interagency Agreement**

The Department of Healthcare and Family Services (HFS) failed to timely execute an interagency agreement (IA) with the Department of Human Services (DHS) establishing adequate internal controls over operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system. In addition, HFS failed to sufficiently review and document provider enrollment requirements either prior to the approval of enrollment, and/or during the required monthly screenings for enrolled providers.

*Interagency Agreement*
Our testing noted an IA between HFS and DHS, defining each agency's roles and responsibilities as they related to IMPACT, was not executed until June 10, 2022. Therefore, each agency's roles and responsibilities, as they related to the IMPACT system, were not formally established until the end of the fiscal year.

HFS and DHS management stated the IA was not signed until the end of fiscal year 2022 due to delays in the signature approval process.

*Inaccurate IMPACT Provider Population*
During our review of the active provider population from the IMPACT system at June 30, 2022, we noted errors in the provider information for 138 of 314,543 (0.04%) providers as follows:

- Eight of 138 (6%) active providers had incorrect provider enrollment end dates; however, they were correctly reported as active in the population.
- 130 of 138 (94%) providers were not properly classified. The providers should have been classified as inactive at June 30, 2022.

Due to these issues, we were unable to conclude the Department's population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08).

*Detail Sample Testing of IMPACT Providers*
***Even given the population limitations noted above which hindered our ability to conclude whether the selected sample was representative of the population as a whole***, we selected a sample from the population and tested whether or not the provider's eligibility was approved in accordance with applicable federal and State laws/rules/regulations. During fiscal year 2022, the IMPACT system noted 25,238 provider enrollment applications were approved. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 60 approved applications were selected for testing. Our testing results noted:

- One (2%) provider had a National Board Certification which had expired during the fiscal year and a subsequent screening to document valid certification was not performed.
- One (2%) provider had a criminal background and the Office of the Inspector General's review of this criminal background was not documented in IMPACT.
- HFS was unable to provide support for one or more monthly batch screenings performed for seven (12%) providers.

**Current Findings – *Government Auditing Standards***

**Finding 2022-007 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Timely Execute Interagency Agreement (Continued)**

HFS management stated the active status, expired certification, and lack of criminal background check documentation was due to oversight. Additionally, HFS management stated the lack of support for the monthly batch screenings was due to a system error which has since been addressed.

This finding was first noted during the Departments' financial audit report for the year ended June 30, 2018. In subsequent years, the Departments have been unsuccessful in fully implementing a corrective action plan.

The Code of Federal Regulations (Code) (42 C.F.R. § 455.412 (b)) requires the applicable Department to confirm the provider's license has not expired and there are no current limitations on the provider's license/certification. The Code (42 C.F.R. § 455.412 (a)) requires the Departments to have a method for verifying any provider claiming to be licensed in accordance with the laws of any State is licensed by such State. The Code (42 C.F.R. § 455.412 (b)) requires confirmation a provider's license has not expired and there are no current limitations on the provider's license/certification. In addition, HFS's *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires HFS staff reviewing licenses to document their review of ensuring the licenses were valid and current in the comments section in IMPACT.

The Code (42 C.F.R. § 455.436 (c)(1)) requires the Departments to consult appropriate databases to confirm identity upon enrollment and reenrollment. In addition, the Code (42 C.F.R § 455.450 (a)(3)) requires the Departments to conduct database checks on a pre-and post-enrollment basis to ensure providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

The Code (2 C.F.R § 200.303), *Internal Controls*, requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Additionally, the Code (42 C.F.R. § 431.17) requires the Departments to maintain records necessary for the proper and efficient operations of the State's Medicaid Plan.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Departments to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws; obligations and costs are in compliance with applicable laws; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and 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.

**Current Findings – *Government Auditing Standards***

**Finding 2022-007 Insufficient Review and Documentation of Provider Enrollment Determinations and Failure to Timely Execute Interagency Agreement (Continued)**

Inadequate controls over the operation of the IMPACT system, such as insufficient review, approval and monitoring of provider enrollment information, could result in providers being inaccurately determined eligible for enrollment, the State expending federal and State funds for which providers eligibility for enrollment have not been adequately demonstrated or documented, and could result in further expenditures to providers who are ineligible for enrollment. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statements or financial information. Further, failure to timely execute an IA during the audit period increased the risk that the IMPACT system may not have met the requirements of each party. (Finding Code No. 2022-007, 2021-009, 2020-011, 2019-011, 2018-006)

**Recommendation**

We recommend HFS management work with DHS management to ensure any future IAs are timely executed and to ensure all provider applications are properly reviewed, approved, and documented within the IMPACT system, and batch screenings are performed monthly. Further, we recommend HFS strengthen its internal controls over identifying a complete and accurate population of active providers.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with HFS to ensure any future IAs are timely executed. Furthermore, IDHS will work with HFS to ensure all provider applications are properly reviewed, approved, and documented within the IMPACT system and batch screenings are performed monthly.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work to ensure future interagency agreements are executed timely. The Provider Enrollment Bureau implemented a quality control review process to reduce human errors during the screening process and believes staff errors will be further reduced when staff are required to only navigate one system. HFS believes there was a miscommunication regarding the population to be provided to the auditors and will ensure a clear understanding before providing future populations.

**Current Findings – *Government Auditing Standards***

**Finding 2022-008 Inadequate General Information Technology Controls over IMPACT**

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") had inadequate general information technology controls over the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system.

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' IMPACT system is a multi-agency effort to implement a web-based system to give providers a more convenient and consistent user experience and to ensure beneficiaries receive timely and high-quality Medicaid Services. The IMPACT system is an automated system used by the Departments to accommodate provider enrollment approvals and all Medicaid claim payments to such providers.

*User Access*
The Departments did not have adequate user access controls over the IMPACT system. During testing, we noted:

- HFS could not provide documentation of new users' access approval to the IMPACT system for one of 25 (4%) new users.
- HFS did not timely remove access to the IMPACT system for six of 15 (40%) terminated users. User access was removed 10 to 230 days after termination dates.

HFS management indicated the new user exception noted was due to oversight. Additionally, with respect to the failure to timely remove access, HFS management indicated it had relied on the automatic lockout feature of the IMPACT system. DHS management indicated they were relying on the user access review process performed by HFS.

*Disaster Recovery*
The Departments did not have adequate disaster recovery controls over the IMPACT system. HFS contracts with a service provider to perform the disaster recovery procedures and backups of the IMPACT system, and the service provider is also responsible for the maintenance of the IMPACT system. During testing, we noted:

- HFS was unable to provide documentation to demonstrate daily database backups for five of 13 (38%) days.
- HFS was unable to provide support for the server operating system (server O/S) backup for seven of 13 (54%) days.
- Two of 13 (15%) daily database backups documented the backups had failed.
    - Upon inquiry, it was determined the backup failed from May 27, 2022 to August 29, 2022. HFS notified the service provider on August 17, 2022 of the failures and subsequently the issue was resolved.
- Six of 13 (46%) server O/S backup reports did not contain any data (the report was simply a blank file).
    - Upon inquiry, we noted the server O/S backup reports did not contain backup data from March 11, 2022 to September 16, 2022. HFS staff had not previously reviewed the report data so they were unaware the reports did not contain data. On July 18, 2022, the service provider notified HFS of the issue with the server O/S backup data reports; however, the issue was not resolved until September 2022.

**Current Findings – *Government Auditing Standards***

**Finding 2022-008 Inadequate General Information Technology Controls over IMPACT (Continued)**

HFS management stated the exceptions noted were due to the transition of the disaster recovery process to the service provider and oversight. DHS management indicated they were relying on HFS.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unsuccessful in fully implementing a corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R § 95.621(f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health & Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code (2 C.F.R. § 200.303) requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control Section, sanctions the development, implementation, and monitoring of internal controls over access. In addition, the Contingency Planning Section, includes system backup requirements integral to protecting user-level information, system-level information, and system documentation.

Inadequate internal controls over user access could result in unauthorized use and/or inappropriate access to the IMPACT system which could go undetected by the Departments for an extended period of time. The lack of controls over system backups could result in the Departments' inability to recover IMPACT data in the event of a disaster, which could be detrimental to recipients of benefits and cause inefficiencies within the Departments' processes and operations. (Finding Code No. 2022-008, 2021-010, 2020-012, 2019-012, 2018-005)

**Current Findings – *Government Auditing Standards***

**Finding 2022-008 Inadequate General Information Technology Controls over IMPACT (Continued)**

**Recommendation**

We recommend the Departments strengthen their internal controls over the IMPACT system's user access approval and ensure the timely removal of access for terminated employees or employees no longer requiring access. Additionally, we recommend the Departments ensure the backups of the IMPACT system and its data are successful.

**Department of Human Services' Response**

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with HFS and the service provider to ensure controls over IMPACT are adequate.

**Department of Healthcare and Family Services' Response**

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will be reviewing the onboarding and offboarding procedures. Reminders will be sent out to all managers reminding them of the requirements for terminating user access upon separation or transfer of employees. HFS would like to note that as of March 2022, the Impact application authentication is now integrated with the State of Illinois' single sign on tool. This is a secondary safeguard for termination of access. HFS will also be evaluating a centralized process for both onboarding and offboarding employees to help reduce errors.

In addition, during fiscal year 2022 HFS transitioned oversight of the hardware and software from one vendor to another and during that transition we were unaware of the backup report issues. This was rectified in September 2022. We believe that the controls are now in place and email notification of each backup is being received and monitored by state staff.

Prior Findings Not Repeated – *Government Auditing Standards*

**A. <u>Finding</u> (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)**

During the previous engagement, the Department of Human Services (Department) did not obtain independent internal control reviews over all service providers and did not perform monitoring procedures over the independent reports which had been obtained.

During the current engagement, we noted the Department obtained System and Organization Control (SOC) examination reports performed by independent auditors for all its service providers. Additionally, we noted the Department initiated monitoring procedures over all SOC reports received, which included reviews over complementary user entity controls and subservice organization controls that were not examined in the SOC reports. As a result, this finding is not repeated. (Finding Code No. 2021-002, 2020-002, 2019-002, 2018-003, 2017-005)

**B. <u>Finding</u> (Weaknesses in Preparation of Year-End Department Financial Statements)**

During the previous engagement, the Department's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccurate information. Specifically, we noted disclosure errors related to Pension and other postemployment benefits (OPEB) and an accounting error noted related to the reversal of a prior year audit entry.

During the current engagement, we did not note any material errors related to disclosures or over reversal entries. As a result, this finding is not repeated. However, we did note year-end financial reporting inaccuracies specific to Federal awards received by the Department which we have reported in Finding 2022-001*, Inadequate Internal Controls Over Accounting for Federal Awards*. (Finding Code No. 2021-003)

**C. <u>Finding</u> (Weaknesses in Internal Controls over Census Data)**

During the previous engagement, the Department had weaknesses in internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and OPEB plans was complete and accurate.

During the current engagement, we noted the Department performed the initial complete reconciliation of the Department's census data for fiscal year 2021 data to develop a base year of complete and accurate census data. Additionally, we noted the Department implemented a process to annually obtain the incremental changes in its census data and reconcile these changes back to the Department's internal supporting records. As a result, this finding is not repeated. (Finding Code No. 2021-004, 2020-013)

**D. <u>Finding</u> (Insufficient Internal Controls over Changes to the Integrated Eligibility System (IES) and Recipient Data)**

During the previous engagement, the Department of Human Services and the Department of Healthcare and Family Services (collectively, the "Departments") had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

Prior Findings Not Repeated – *Government Auditing Standards*

During the current engagement, we noted the Departments continued to have insufficient internal controls over changes to IES and recipient data. These conditions have been combined with other general information technology control exceptions we noted in Finding 2022-005. (Finding Code No. 2021-005, 2020-007, 2019-008, 2018-010, 2017-010)

**E. <u>Finding</u> (Inadequate Access Review Procedures for the Integrated Eligibility System (IES))**

During the previous engagement, the Department of Human Services and the Department of Healthcare and Family Services (collectively, the "Departments") failed to implement adequate procedures over the user access review process for the Integrated Eligibility System (IES).

During the current engagement, we noted the Departments continued to fail at implementing adequate procedures over the user access review process for IES. These conditions have been combined with other general information technology control exceptions we noted in Finding 2022-005. (Finding Code No. 2021-006, 2020-008)