

State of Illinois
Department of Human Services

Financial Audit
For the Year Ended June 30, 2023

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

**State of Illinois
Department of Human Services
Financial Audit**

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**State of Illinois
Department of Human Services**

**Agency Officials
For the Fiscal Year Ended June 30, 2023**

Secretary	Dulce Quintero, Designate (10/9/2023 – Present) Grace B. Hou (through 10/8/2023)
Assistant Secretary (Operations)	Ryan Thomas (10/9/2023 – Present) Dulce Quintero (through 10/8/2023)
Assistant Secretary (Programs)	Vacant (9/14/2024 – Present) Kirstin Chernawsky (5/1/2024 – 9/13/2024) Vacant (through 4/30/2024)
Budget Director	Adam Morrow (9/16/2024 – Present) Tiffany Blair (through 9/15/2024)
Business Services Director	Paul Hartman
Chief of Staff	Tiffany Blair (9/16/2024 – Present) Amanda Elliott (12/24/2022 – 9/15/2024) Ryan Croke (through 12/31/22)
Chief Financial Officer	Robert Brock
Chief Operating Officer	Stacy Howlett (2/1/2024 – Present) Vacant (1/1/2024 – 1/31/2024) Francisco DuPrey (4/29/2019 – 12/31/2023)
Chief Internal Auditor	Amy Macklin
General Counsel	John F. Schomberg
Inspector General	Charles Wright (8/17/2023 – Present) Peter Neumer (through 8/16/2023)

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**

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 basic financial statements.

Summary of Findings

Number of	<u>Current Report</u>	<u>Prior Reports</u>
Findings	9	8
Repeated Findings	6	6*
Prior Recommendations Implemented or Not Repeated	2	5*

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	73	2022/2022	Inadequate Internal Controls over Accounting for Federal Awards	Material Weakness
2023-002	77	2022/2017	Medical Assistance Program Financial Information	Material Weakness and Noncompliance
2023-003	80	New	Intergovernmental Expenses	Material Weakness
2023-004	81	New	Classification of Fund Balance	Material Weakness
2023-005	82	2022/2019	Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)	Material Weakness
2023-006	84	2022/2017	Inadequate General Information Technology Controls over IES	Material Weakness
2023-007	87	New	Inadequate Controls over Eligibility Determinations and Redeterminations	Material Weakness and Noncompliance
2023-008	89	2022/2018	Insufficient Review and Documentation of Provider Enrollment	Material Weakness and Noncompliance
2023-009	91	2022/2018	Inadequate General Information Technology Controls over IMPACT	Material Weakness

**State of Illinois
Department of Human Services**

Financial Statement Report

Summary of Findings (Continued)

Prior Findings Not Repeated

A	93	2022	Other Accounts Receivable Misstatement	Material Weakness
			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
B	93	2022/2019		

Exit Conference

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on November 20, 2024.

Attending were:

Department of Human Services

Dulce Quintero	Secretary
Ryan Thomas	Assistant Security of Operations
Tiffany Blair	Chief of Staff
John Schomberg	General Counsel
Robert Brock	Chief Financial Officer
Mark Bartolozzi	Director of Fiscal Services
Amy Macklin	Chief Internal Auditor
Sarah Eves	Bureau Chief of General Accounting
Joseph Wellbaum	Senior Public Service Administrator
Victoria Pyles	Senior Public Service Administrator
Celeste Johnson	Senior Public Service Administrator
Brian Bond	Senior Public Service Administrator
Albert Okwuegbunam	Public Service Administrator
Matthew Sporlein	Public Service Administrator
Christopher Finley	Public Service Administrator

Office of the Auditor General

Courtney Dzierwa	Statewide Single Audit Manager
Megan Green	Senior Audit Manager

RSM US LLP

Jen Katz	Partner
Ryan Caldwell	Partner
Kelly Kirkman	Partner
Melissa Quinn	Senior Manager
Adam Lanter	Manager
Crystal Bruns	Supervisor

**State of Illinois
Department of Human Services**

Financial Statement Report

Exit Conference (Continued)

The responses to the recommendations in findings 2023-001 through 2023-004 were provided by Chris Finley, Public Service Administrator, in a correspondence dated November 13, 2024, the responses to the recommendations in findings 2023-005 through 2023-007 were provided in a correspondence dated August 13, 2024, and the responses to the recommendations in findings 2023-008 and 2023-009 were provided in a correspondence dated July 24, 2024.

The Department of Healthcare and Family Services (HFS) responses to the recommendations were provided by Elizabeth Whitehorn, Director, in a correspondence dated July 23, 2024 and August 14, 2024.

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, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic 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 for the Department of the State, as of June 30, 2023, 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 Matter

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, each major fund, 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, 2023, 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.

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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic 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 Department's basic 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic 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 basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 December 11, 2024, 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 the 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
December 11, 2024

State of Illinois
Department of Human Services
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2023 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	\$ 560,549	\$ 308	\$ 560,857	\$ -	\$ 560,857
Cash deposited with State Treasurer	172,808	679,266	852,074	-	852,074
Cash and cash equivalents	188	7,104	7,292	-	7,292
Securities lending collateral equity with State Treasurer	26,213	31,196	57,409	-	57,409
Investments	-	523	523	-	523
Due from other government - federal	27,649	222,478	250,127	-	250,127
Due from other government - local	-	309	309	-	309
Taxes receivable, net	-	99	99	-	99
Loans and notes receivable, net	-	352	352	-	352
Due from other Department funds	5,052	295	5,347	(5,347)	-
Due from other State funds	98,507	6,683	105,190	-	105,190
Due from State of Illinois component units	26	54	80	-	80
Inventories	6,784	2,043	8,827	-	8,827
Prepaid expenses	-	-	-	547	547
Recipient services and other receivables, net	5,792	433,655	439,447	-	439,447
Capital assets not being depreciated	-	-	-	43,051	43,051
Capital assets being depreciated, net	-	-	-	225,534	225,534
Total assets	903,568	1,384,365	2,287,933	263,785	2,551,718
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	-	-	-	342,631	342,631
Deferred outflows of resources - SERS pensions	-	-	-	1,062,381	1,062,381
Deferred outflows of resources - TRS pensions	-	-	-	179	179
Total deferred outflows of resources	-	-	-	1,405,191	1,405,191
Total assets and deferred outflows of resources	\$ 903,568	\$ 1,384,365	\$ 2,287,933		
LIABILITIES					
Accounts payable and accrued liabilities	575,858	280,593	856,451	-	856,451
Due to other government - federal	3,214	40,923	44,137	-	44,137
Due to other government - local	37,338	14,304	51,642	-	51,642
Due to other Department fiduciary funds	11	-	11	-	11
Due to other State fiduciary funds	130	1,908	2,038	-	2,038
Due to other Department funds	147	5,200	5,347	(5,347)	-
Due to other State funds	52,317	103,216	155,533	-	155,533
Due to State of Illinois component units	5,349	9,225	14,574	-	14,574
Unearned revenue	27,730	72,908	100,638	-	100,638
Obligations under securities lending of State Treasurer	26,213	31,196	57,409	-	57,409
Long-term obligations:					
Due within one year	-	-	-	103,773	103,773
Due subsequent to one year	-	-	-	8,895,589	8,895,589
Total liabilities	728,307	559,473	1,287,780	8,994,015	10,281,795
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	19,717	464,691	484,408	(484,408)	-
Deferred inflows of resources - OPEB	-	-	-	3,667,681	3,667,681
Deferred inflows of resources - SERS pensions	-	-	-	674,905	674,905
Deferred inflows of resources - TRS pensions	-	-	-	673	673
Total deferred inflows of resources	19,717	464,691	484,408	3,858,851	4,343,259
FUND BALANCES/NET POSITION					
Fund Balances (Deficit):					
Nonspendable	6,784	3,147	9,931	(9,931)	-
Restricted	19,048	138,408	157,456	(157,456)	-
Committed	79,186	263,625	342,811	(342,811)	-
Assigned	-	4,248	4,248	(4,248)	-
Unassigned	50,526	(49,227)	1,299	(1,299)	-
Net Position (Deficit):					
Net investment in capital assets	-	-	-	264,479	264,479
Restricted for:					
Community developmental disabilities programs	-	-	-	6,572	6,572
Child care programs	-	-	-	2,005	2,005
Supplemental nutrition assistance program	-	-	-	9,341	9,341
Temporary assistance to needy families	-	-	-	11,146	11,146
Behavioral Health	-	-	-	10,000	10,000
Opioid Remediation	-	-	-	419,941	419,941
Aid to the aged, blind and disabled	-	-	-	10,903	10,903
Vocational rehabilitation	-	-	-	26,108	26,108
Other health and social service programs	-	-	-	30,551	30,551
Restricted-funds held as permanent investments:					
Nonexpendable purposes	-	-	-	1,066	1,066
Expendable purposes	-	-	-	423	423
Unrestricted net position (deficit)	-	-	-	(11,460,680)	(11,460,680)
Total fund balances/net position (deficit)	155,544	360,201	515,745	\$ (11,183,890)	\$ (10,668,145)
Total liabilities, deferred inflows and fund balances	\$ 903,568	\$ 1,384,365	\$ 2,287,933		

State of Illinois
Department of Human Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2023
(Expressed in Thousands)

Total fund balances - governmental funds		\$	515,745
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.			268,585
Prepaid expenses for governmental activities are current uses of financial resources in the governmental funds.			547
Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.			484,408
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	(6,737,574)		
Net pension liability - TRS	(372)		
Deferred outflows of resources - SERS pensions	1,062,381		
Deferred outflows of resources - TRS pensions	179		
Deferred inflows of resources - SERS pensions	(674,905)		
Deferred inflows of resources - TRS pensions	<u>(673)</u>		(6,350,964)
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	(2,180,345)		
Deferred outflows of resources - OPEB	342,631		
Deferred inflows of resources - OPEB	<u>(3,667,681)</u>		(5,505,395)
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	(4,106)		
Compensated absences	<u>(76,965)</u>		<u>(81,071)</u>
Net position (deficit) of governmental activities		\$	<u><u>(10,668,145)</u></u>

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

State of Illinois
Department of Human Services

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

For the Year Ended June 30, 2023 (Expressed in Thousands)

	General Fund	Other Non-major Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	\$ 5,929,943	\$ 9,322,964	\$ 15,252,907	\$ (969,600)	\$ 14,283,307
Debt service - principal	2,686	830	3,516	(3,516)	-
Debt service - interest	121	60	181	-	181
Capital outlays	53,663	1,624	55,287	(55,287)	-
Total expenditures/expenses	5,986,413	9,325,478	15,311,891	(1,028,403)	14,283,488
Program revenues:					
Charges for services:					
Licenses and fees	57	5,537	5,594	4	5,598
Other charges for services	96	34,395	34,491	(8,259)	26,232
Other revenues	-	105,832	105,832	317,722	423,554
Total charges for services	153	145,764	145,917	309,467	455,384
Operating grant revenue:					
Federal operating grants	615,714	8,718,782	9,334,496	6,498	9,340,994
Other operating grants	-	172	172	-	172
Total operating grant revenue	615,714	8,718,954	9,334,668	6,498	9,341,166
Total program revenues	615,867	8,864,718	9,480,585	315,965	9,796,550
Net program expense					(4,486,938)
General revenues and transfers:					
General revenues:					
Federal Operating Grants	71,017	41,609	112,626	-	112,626
Interest and investment income	4,730	3,589	8,319	-	8,319
Other taxes	-	556	556	-	556
Other revenues	691	10,163	10,854	-	10,854
Appropriations from State resources	6,900,859	6,730	6,907,589	-	6,907,589
Lapsed appropriations	(681,624)	(4,365)	(685,989)	-	(685,989)
Receipts collected and transmitted to State Treasury	(357,665)	(1,196)	(358,861)	-	(358,861)
Loss on disposition of capital assets	-	-	-	(275)	(275)
Lease and installment purchase financing	600	-	600	(600)	-
Transfers:					
Net capital transfers and other adjustments	-	-	-	(17,088)	(17,088)
Amount of SAMS transfers-in	(30,943)	-	(30,943)	-	(30,943)
Amount of SAMS transfers-out	4,763	-	4,763	-	4,763
Transfers-in	21,255	543,782	565,037	(475,450)	89,587
Transfers-out	(475,350)	(100)	(475,450)	475,450	-
Transfer of administration of funds (to)/from other State agencies	-	146	146	-	146
Total general revenues and transfers	5,458,333	600,914	6,059,247	(17,963)	6,041,284
Excess of revenues and transfers-in over expenditures and transfers-out	87,787	140,154	227,941	(227,941)	-
Change in net position	-	-	-	1,554,346	1,554,346
Fund balance (deficit) /net position (deficit), July 1, 2022	65,787	219,998	285,785	(12,508,276)	(12,222,491)
Increase (decrease) for changes in inventories	1,970	49	2,019	(2,019)	-
Fund balance /net position (deficit), June 30, 2023	\$ 155,544	\$ 360,201	\$ 515,745	\$ (11,183,890)	\$ (10,668,145)

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, 2023
(Expressed in Thousands)

Net change in fund balances	\$ 227,941	
Change in inventories	2,019	\$ 229,960
<hr/>		
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	55,287	
Depreciation	(44,079)	
Losses on disposals of capital assets	(275)	10,933
<hr/>		
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.		(17,088)
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.		3,516
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.		(600)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		315,965
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	97,984	
Increase in net pension liability - TRS pensions	504	
Change in deferred inflows	5,646	
Change in deferred outflows	(10,512)	93,622
<hr/>		
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	2,626,964	
Change in deferred inflows	(1,602,468)	
Change in deferred outflows	(105,696)	918,800
<hr/>		
Prepaid expenses in the Statement of Activities are reported as expenditures in governmental funds.		387
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.		
Decrease (increase) in compensated absences obligation		(1,149)
<hr/>		
Change in net position (deficit) of governmental activities		\$ 1,554,346

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, 2023 (Expressed in Thousands)

	<u>Private Purpose Trust Funds</u>	
	<u>Student College Loan 1409</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,149	\$ 4,454
Investments	-	890
Due from other government - federal	-	37
Loans and notes receivable	31	-
Due from other Department funds	-	11
Total assets	<u>1,180</u>	<u>5,392</u>
LIABILITIES		
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Held in trust and other purposes	1,180	-
Restricted for Individuals	-	5,392
Total net position	<u>\$ 1,180</u>	<u>\$ 5,392</u>

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, 2023 (Expressed in Thousands)

	<u>Private Purpose Trust Funds</u>	
	<u>Student College Loan 1409</u>	<u>Custodial Funds</u>
Additions:		
Investment income	\$ 41	\$ 44
Resident deposits received	-	2,639
Other additions	1	25
Total additions	<u>42</u>	<u>2,708</u>
Deductions:		
Custodial fund disbursed	-	3,536
Other deductions	-	29
Total deductions	<u>-</u>	<u>3,565</u>
Net Increase (decrease) in fiduciary net position	42	(857)
Net position, July 1, 2022	<u>1,138</u>	<u>6,249</u>
Net position, June 30, 2023	<u>\$ 1,180</u>	<u>\$ 5,392</u>

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

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NOTE (1) - Organization

The Department of Human Services (the Department) is a part of the executive branch of government of the State of Illinois (the State) and operates under the authority of, and review by, the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, 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. The financial statements of the Department are included in the financial statements of the State. The State's Annual Comprehensive Financial Report may be obtained by accessing the State Comptroller Office'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 State of Illinois, Department of Human Services, 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, 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, 2023 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

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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 State 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's Annual Comprehensive 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 eleven secondary sub-accounts (Illinois Veterans' Rehabilitation, Special Olympics Illinois and Special Children's Charities, Home Services Medicaid Trust, Community Developmental Disabilities Services Medicaid Trust, First Responder Behavioral Health Grant, State Coronavirus Urgent Remediation Emergency Fund (CURES), Care Provider Fund for Persons with a Developmental Disability, Health and Human Services Medicaid Trust, Commitment to Human Services, Community Mental Health Medicaid Trust, and Off-Hours Childcare Program).

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.

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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, 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 Fund (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’s Annual Comprehensive Financial Report. In presenting these financial statements, certain unique accounts are used for the presentation of shared funds.

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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 State Comptroller's Office 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 State Comptroller's 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.

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(g) Investments

Most investments are reported at fair value. The Illinois Funds is a GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 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.

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The Department also has activity with various component units of the State 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.

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(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

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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, 2023, 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.

Assigned – Fund balance component resulting from the Department's intent to be used for specific purposes, but that are neither restricted or committed.

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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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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, 2023, the Department adopted 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. The implementation of this statement had no financial impact on the Department’s net position or results of operations.

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). The implementation of this statement had no financial impact on the Department’s net position or results of operations.

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 implementation of this statement had no financial impact on the Department’s net position or results of operations.

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. The implementation of this statement had no financial impact on the Department’s net position or results of operations.

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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.

Statement No. 102, *Certain Risk Disclosures*, which is intended to provide users of governmental financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. The Statement will require additional disclosures should the government have concentrations or constraints.

Effective for the year ending June 30, 2026, the Department will adopt the following GASB statements:

Statement No. 103, *Financial Reporting Model Improvements*, which is intended to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Certain application issues are also addressed by this statement.

Statement No. 104, *Disclosure of Certain Capital Assets*, which is intended to provide users of government financial statements with essential information about certain types of capital assets by requiring certain types of capital assets to be disclosed separately in the capital assets note disclosures and requiring additional disclosures for capital assets held for sale.

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

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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's 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 \$12.111 million (\$6.728 million and \$5.383 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 \$2.151 million invested with The Illinois Funds (\$1.061 million in Governmental Activities and \$1.090 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 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
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 AAmmf by Fitch Ratings.

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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
	<u>Deposits</u>		
Governmental Activities			
Amounts per note 3 (a) and 3 (b)	\$ 6,728	\$	1,061
Deposits held for investment purposes	(523)		523
Cash equivalents	1,061		(1,061)
Petty cash	26		-
Amounts per Statement of Net Position	<u>\$ 7,292</u>	<u>\$</u>	<u>523</u>
 Fiduciary Funds			
Amounts per note 3 (a) and 3 (b)	\$ 5,383	\$	1,090
Deposits held for investment purposes	(890)		890
Cash equivalents	1,090		(1,090)
Petty cash	20		-
Amounts per Statement of Fiduciary Net Position	<u>\$ 5,603</u>	<u>\$</u>	<u>890</u>

NOTE (4) - Other Receivables

Recipient services and other receivables, net at June 30, 2023 (amounts expressed in thousands) consisted of the following:

<u>Revenue Source</u>	Governmental Funds	
	<u>General Fund</u>	<u>Nonmajor Funds</u>
Fines	\$ -	\$ 14
Rebates	-	9,637
Recipient services and recoveries	9,427	327,020
Public assistance recoveries	9,897	3,187
Opioid settlement	-	335,759
Interest and other Income	525	625
Total other receivables	19,849	676,242
Allowance for uncollectible amounts	(14,057)	(242,587)
Recipient services and other receivables, net	<u>\$ 5,792</u>	<u>\$ 433,655</u>

The State is a party to a National settlement with various opioid drug manufacturers, distributors, and chain pharmacies. The Department administers the Illinois Opioid Remediation State Trust Fund (Fund 0734) for purposes of collecting and distributing the State's opioid settlement receipts. The Department records receivables from the various drug manufacturers, distributors, and chain pharmacies upon signature of State consent judgments with the various companies. At June 30, 2023, the State had signed consent judgments with three companies and the Department has recorded a related settlement receivable of \$335.759 million which is expected to be received through 2038.

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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 2023, 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 2023 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 2023 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2023, 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, 2023 arising from securities lending agreements to the various funds of the State. The total allocated to the Department as of June 30, 2023 was \$57.409 million.

NOTE (6) - Interfund Balances and Activity

(a) Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2023 represent amounts due from other Department and State of Illinois funds:

<u>Fund Type</u>	<u>Due from Other</u>		<u>Description/Purpose</u>
	<u>Department Funds</u>	<u>State Funds</u>	
General	\$ 5,052	\$ 98,507	See comment that follows
Nonmajor governmental	295	6,683	See comment that follows
	<u>\$ 5,347</u>	<u>\$ 105,190</u>	

General - Due from other Department funds for required transfers and expenditure reimbursements and other State funds for expenditure reimbursements.

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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, 2023 represent amounts due to other Department and State of Illinois funds:

Fund Type	Due to Other			
	Department Funds	Department Fiduciary	State Funds	State Fiduciary
General	\$ 147	\$ 11	\$ 52,317	\$ 130
Nonmajor governmental	5,200	-	103,216	1,908
	\$ 5,347	\$ 11	\$ 155,533	\$ 2,038

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, 2023 were as follows:

Fund Type	Transfers in from Other			Description/Purpose
	Department Funds	State Funds	Total	
General	\$ -	\$ 21,255	\$ 21,255	Transfers from other State funds pursuant to statute and annual appropriations.
Nonmajor governmental	475,450	68,332	543,782	Transfers from other Department funds and other State funds pursuant to statute, annual appropriations, and transfers of federal grant monies.
Totals	\$ 475,450	\$ 89,587	\$ 565,037	

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Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2023 were as follows:

<u>Fund Type</u>	<u>Transfers out to Other</u>			<u>Description/Purpose</u>
	<u>Department Funds</u>	<u>State Funds</u>	<u>Total</u>	
General	\$ 475,350	\$ -	\$ 475,350	Transfers to other Department funds pursuant to statute and transfer of federal grant monies.
Nonmajor governmental	100	-	100	Transfers to other Department funds and State funds pursuant to statute and transfer of federal grant monies.
Totals	<u>\$ 475,450</u>	<u>\$ -</u>	<u>\$ 475,450</u>	

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

The following balances (amounts expressed in thousands) at June 30, 2023 represent amounts due to/from State of Illinois component units for reimbursement for expenses incurred:

<u>Component Unit</u>	<u>Due From Amounts</u>		<u>Due to Amounts</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Toll Highway Authority	\$ -	\$ -	\$ 7	\$ -
Housing Development Authority	-	-	30	-
Chicago State University	-	-	-	2
Eastern Illinois University	-	-	-	184
Governors State University	-	-	-	392
Northeastern Illinois University	-	-	403	45
Western Illinois University	-	-	-	103
Illinois State University	-	-	-	40
Northern Illinois University	-	-	-	125
Southern Illinois University	-	1	-	1,500
University of Illinois	26	53	4,909	6,834
Totals	<u>\$ 26</u>	<u>\$ 54</u>	<u>\$ 5,349</u>	<u>\$ 9,225</u>

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NOTE (7) - Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Net Transfers	Balance June 30, 2023
Capital assets not being depreciated/amortized:					
Land and land improvements	\$ 2,889	\$ -	\$ -	\$ -	\$ 2,889
Construction in progress	30,988	-	198	9,372	40,162
Internally generated intangible assets in development	-	52,090	-	(52,090)	-
Total capital assets not being depreciated/amortized	33,877	52,090	198	(42,718)	43,051
Capital assets being depreciated/amortized:					
Site improvements	78,233	-	-	3,833	82,066
Buildings and building improvements	570,889	-	-	21,797	592,686
Equipment	38,917	2,597	1,410	-	40,104
Right-to-use equipment	10,162	600	1,052	-	9,710
Non-internally generated software	204	-	-	-	204
Internally generated software	276,045	-	-	-	276,045
Total capital assets being depreciated/amortized	974,450	3,197	2,462	25,630	1,000,815
Less accumulated depreciation/amortization:					
Site improvements	76,901	578	-	-	77,479
Buildings and building improvements	477,739	10,398	-	-	488,137
Equipment	25,579	2,782	1,333	-	27,028
Right-to-use equipment	3,229	3,535	1,052	-	5,712
Non-internally generated software	204	-	-	-	204
Internally generated software	149,935	26,786	-	-	176,721
Total accumulated depreciation/amortization	733,587	44,079	2,385	-	775,281
Total capital assets being depreciated/amortized, net	240,863	(40,882)	77	25,630	225,534
Total capital assets, net	\$ 274,740	\$ 11,208	\$ 275	\$ (17,088)	\$ 268,585

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2023 was charged as follows:

Health and social services	<u>\$44,079</u>
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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, 2023 were as follows:

	July 1, 2022	Additions	Deletions	June 30, 2023	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 75,816	\$ 116,657	\$ 115,508	\$ 76,965	\$ 6,680
Leases	7,022	600	3,516	4,106	2,745
OPEB liability	4,807,309	-	2,626,964	2,180,345	94,348
Net pension liability - SERS	6,835,558	-	97,984	6,737,574	-
Net pension liability - TRS	876	-	504	372	-
Totals	<u>\$ 11,726,581</u>	<u>\$ 117,257</u>	<u>\$ 2,844,476</u>	<u>\$ 8,999,362</u>	<u>\$ 103,773</u>

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 through 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 General Assembly. If renewal is reasonably assured, leases requiring appropriation by the 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, 2023, right-to-use assets under leases (amounts expressed in thousands) are as follows:

Equipment	\$ 9,710
Less: accumulated amortization	<u>5,712</u>
	<u>\$ 15,422</u>

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Future minimum commitments for non-cancelable leases (amounts expressed in thousands) as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 2,746	\$ 86
2025	1,316	19
2026	44	-
Total minimum lease payments	\$ 4,106	\$ 105

(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 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', 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, 2022. The State, 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:

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- 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.

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • 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. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>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.</p> <p>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.</p> <p>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.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>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 2022 rate is \$119,892.</p> <p>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.</p> <p>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.</p>

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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. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of noncovered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

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. 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 2023, this amount was \$123,489.

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.

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For fiscal year 2023, 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 2023, the employer contribution rate was 53.258%. The Department's contribution amount for fiscal year 2023 was \$46.591 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, 2023 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State 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 Illinois Compiled Statutes.

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 2023, this amount was \$123,489. The Department's contribution amount for fiscal year 2023 was \$11 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, 2023, the Department reported a liability of \$6.738 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, 2022 (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, 2022. As of the current year measurement date of June 30, 2022, the Department's proportion was 20.8354% which was an increase of .1847% from its proportion measured as of the prior year measurement date of June 30, 2021.

For the year ended June 30, 2023, the Department recognized pension expense of \$459.144 million. At June 30, 2023, the Department reported deferred outflows of resources and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2022 from the following sources (amounts expressed in thousands):

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 75,871	\$ 742
Changes of assumptions	174,854	576,999
Net difference between projected and actual investment earnings on pension plan investments	129,451	-
Changes in proportion	140,513	97,164
Department contributions subsequent to the measurement date	541,692	-
Total	<u><u>\$ 1,062,381</u></u>	<u><u>\$ 674,905</u></u>

\$541.692 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, 2024. 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):

<u>Year ended June 30,</u>	<u>SERS</u>
2024	\$ (17,422)
2025	(66,569)
2026	(127,053)
2027	56,828
Total	<u><u>\$ (154,216)</u></u>

Teachers' Retirement System

At June 30, 2023, the Department reported a liability of \$372 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 \$32.276 million. The total net pension liability for the Department's employees participating in TRS was \$32.648 million as of the measurement date. The net pension liability was measured as of June 30, 2022 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to June 30, 2022. 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, 2022. At June 30, 2022, the measurement date, the Department's proportionate share was 0.00045639% for the TRS plan, which was a .000007 decrease from its proportion measured at the prior year measurement date of June 30, 2021.

For the year ended June 30, 2023, the Department recognized pension expense of \$2.296 million. At June 30, 2023, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2022, from the following sources (amounts expressed in thousands):

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1	\$ 2
Changes of assumptions	2	1
Net difference between projected and actual investment earnings on pension plan investments	-	-
Changes in proportion	165	670
Department contributions subsequent to the measurement date	11	-
Total	\$ 179	\$ 673

\$11 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, 2024. 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
2024	\$ (198)
2025	(97)
2026	(79)
2027	(85)
2028	(46)
Thereafter	-
Total	\$ (505)

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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	6/30/2022	6/30/2022*
Measurement date	6/30/2022	6/30/2022
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	6.75%	7.00%
Projected salary increases**	2.50% - 7.41%	3.75% - 8.75%
Inflation rate	2.25%	2.50%
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 2018 - June 2021	July 2017 - June 2020
Mortality ^{^^^}		
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021	
TRS	Pub-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:

	SERS	TRS
Projected salary increases**	2.75% - 7.17%	3.50% - 8.50%
Inflation rate		2.25%
Retirement age experience study ^{^^}	July 2015 - June 2018	
Mortality ^{^^^}	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	

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- * The total pension liability presented in the June 30, 2022, actuarial valuation is based on census data as of June 30, 2021, rolled-forward to the measurement date.
- ** 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, 2022, 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%	4.60%
Developed Foreign Equity	13.0%	4.90%
Emerging Market Equity	8.0%	5.90%
Private Equity	9.0%	6.90%
Intermediate Investment Grade Bonds	15.0%	-0.50%
Long-term Government Bonds	5.0%	0.30%
TIPS	3.0%	-0.50%
High Yield and Bank Loans	2.0%	1.90%
Opportunistic Debt	9.0%	4.40%
Emerging Market Debt	0.0%	0.00%
Real Estate	10.0%	3.30%
Infrastructure	3.0%	6.80%
Total	100%	

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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, 2022, 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	16.3%	5.70%
U.S. Equities Small/Mid Cap	1.9%	6.80%
International Equities Developed	14.1%	6.60%
Emerging Market Equities	4.7%	8.60%
U.S. Bonds Code	6.9%	1.20%
International Debt Developed	1.2%	0.30%
International Debt Emerging	3.7%	3.80%
Cash Equivalents	1.2%	-0.30%
TIPS	0.5%	0.30%
Real Estate	16.0%	5.40%
Hedge Funds (Absolute Return)	4.0%	3.50%
Infrastructure	2.0%	5.90%
Private Equity	15.0%	10.00%
Private Debt	12.5%	5.30%
Total	100%	

Discount rate

State Employees' Retirement System

The June 30, 2022 single blended discount rate of 6.58% was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.69%, 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. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate, based on an index of 20 year general obligation bonds as published by The Bond Buyer, as of the end of the current fiscal year. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be

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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, 2022. 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, 2022.

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%	Discount	1%
	Decrease	Rate	Increase
	5.58%	6.58%	7.58%
Department's proportionate share of the SERS net pension liability	\$ 8,197,543	\$ 6,737,574	\$ 5,530,183
TRS			
	1%	Discount	1%
	Decrease	Rate	Increase
	6.00%	7.00%	8.00%
Department's proportionate share of the TRS net pension liability	\$ 455	\$ 372	\$ 303

Payables to the pension plan. On June 30, 2023, the Department reported a payable of \$2.052 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

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

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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 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$12,635.52 (\$6,989.76 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14,646.00 (\$5,882.40 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, 2023, was measured as of June 30, 2022, with an actuarial valuation as of June 30, 2021. At June 30, 2023, the Department recorded a liability of \$2.180 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, 2022. As of the current year measurement date of June 30, 2022, the Department's proportion was 12.7653%, which was a decrease of 0.0118 from its proportion measured as of the prior year measurement date of June 30, 2021.

The Department recognized a reduction in OPEB expense for the year ended June 30, 2023, of \$773.280 million related to the Department's change in proportion. In addition, the Department recorded \$86.714 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.

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At June 30, 2023, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources (amounts expressed in thousands):

Deferred outflows of resources

Differences between expected and actual experience	\$ 22,305
Changes in assumptions	53,819
Changes in proportion and differences between employer contributions and proportionate share of contributions	172,159
Department contributions subsequent to the measurement date	94,348
Total deferred outflows of resources	<u>\$ 342,631</u>

Deferred inflows of resources

Differences between expected and actual experience	\$ 596,216
Changes in assumptions	2,135,683
Changes in proportion and differences between employer contributions and proportionate share of contributions	935,782
Total deferred inflows of resources	<u>\$ 3,667,681</u>

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, 2024. 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):

<u>Year ended June 30,</u>	<u>Amount</u>
2024	\$ (858,592)
2025	(936,926)
2026	(891,695)
2027	(588,543)
2028	(143,642)
Total	<u>\$ (3,419,398)</u>

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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, 2022, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2022. The assumptions changed from fiscal year 2022 and are as follows:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical and RX	
Pre-Medicare - QCHP**	Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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)	1.80% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical and Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

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

** Quality Care Health Plan

*** Medicare Advantage Prescription Drug

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Additionally, the demographic assumptions used in this OPEB valuation for GARS, JRS and SERS have updated retirement age experience study ranges as compared to fiscal year 2022. The following assumptions changed from fiscal year 2022 and are as follows:

	Retirement age experience study[^]	Mortality^{^^}
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females, and the MP-2018 two-dimensional generational mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females, and the MP-2018 two-dimensional generational mortality improvement scales
SERS	July 2018 - June 2021	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 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non Academic members

[^] 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 1.92% at June 30, 2021, and 3.69% at June 30, 2022, was used to measure the total OPEB liability (an increase of 1.77).

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 3.69%, 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 (4.69%) or lower (2.69%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.69%)	Current Single Discount Rate Assumption (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 2,405,564	\$ 2,180,345	\$ 1,936,603

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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 2024 decreasing to an ultimate trend rate of 4.25% in 2039.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	\$ 1,887,743	\$ 2,180,345	\$ 2,476,906

Current healthcare trend rates – Pre-Medicare per capita costs: 6.08% in 2023, 8.00% in 2024, decreasing by 0.25% per year to an ultimate rate 4.25% in 2039. Post-Medicare per capita costs: 2.78% in 2023, 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.

One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 5.08% in 2023, 7.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2039. Post-Medicare per capita costs: 1.78% in 2023, 0.00% from 2024 to 2028, 18.42% from 2029 to 2033, 4.77% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2039.

One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 7.08% in 2023, 9.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2039. Post-Medicare per capita costs: 3.78% in 2023, 1.00% from 2024 to 2028, 20.42% from 2029 to 2033, 6.77% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2039.

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NOTE (11) - Fund Balances

(a) Categories

At June 30, 2023, the Department's governmental fund balances were classified as follows:

	General Fund	Other Nonmajor Funds	Total
Nonspendable:			
Inventory	\$ 6,784	\$ 2,043	\$ 8,827
Permanent endowments	-	1,104	1,104
Total nonspendable	6,784	3,147	9,931
Restricted Purposes:			
Community developmental disabilities programs	6,572	-	6,572
Behavioral health programs	10,000	-	10,000
Opioid remediation	-	102,221	102,221
Vocational rehabilitation programs	-	26,062	26,062
Other programs	2,476	10,125	12,601
Total restricted	19,048	138,408	157,456
Committed Purposes:			
Medical assistance programs	62,770	26,860	89,630
Mental health programs	13,874	32,084	45,958
Information technology initiatives	-	5,290	5,290
Other programs	2,542	199,391	201,933
Total committed	79,186	263,625	342,811
Assigned Purposes:			
Childcare programs	-	4,248	4,248
Total assigned	-	4,248	4,248
Unassigned	50,526	(49,227)	1,299
Total fund balance	\$ 155,544	\$ 360,201	\$ 515,745

(b) Fund Deficits

The State CURES and Care Provider Fund for Persons with a Developmental Disability Accounts, both subaccounts of the General Fund, had fund deficits (expressed in thousands) of \$4,700, and \$1,144, respectively, at June 30, 2023.

The DHS Federal Projects, Alcoholism and Substance Abuse, Juvenile Justice Trust, DHS Recoveries Trust, all non-major governmental funds, had fund deficits (expressed in thousands) of \$19,131, \$309, \$126, and \$29,660, respectively, at June 30, 2023.

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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 the Illinois Department of Central Management Services 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, 2023.

NOTE (13) - Commitments and Contingencies

(a) Federal Funding

Backlog of Applications in Integrated Eligibility System (IES)

The State 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 \$690 million, for benefits established on or before June 30, 2023. Additionally, it is estimated that \$505 million will be recorded as a liability to the Federal government for their share of overpayment collections. The rate used to calculate this amount, 10.91%, came from a June 30, 2023, letter from the USDA.

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 is not aware of any material unrecorded liabilities pertaining to questioned costs. Identified questioned costs are frequently reported in the State 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>.

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(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) Subsequent Events

- (a) On April 25, 2024, a threat actor sent a phishing email to ten State employees. One employee clicked on the link and provided their credentials. The threat actor utilized the credentials to gain access to the employee's account and send additional phishing emails to approximately 3,671 State employees from the user's compromised account. Through this phishing campaign, the threat actor gained access to an additional 61 user accounts, and the files associated with the accounts. Some of the files included documentation containing personal information of customers and employees. The phishing email was reported to the Illinois Department of Innovation and Technology (DoIT) by 435 users and DoIT promptly blocked the URL. All impacted user credentials and Multi-Factor Authentication (MFA) methods were reset.

On May 3, 2024, the Illinois Department of Human Services (IDHS), in partnership with DoIT, determined the incident is a reportable breach of security under the Illinois Personal Information Protection Act. The incident impacted the personal information of 1,123,697 customers and employees. The threat actor gained access to the Social Security number (SSN) of 3 employees and 4,701 customers and public assistance account information (name, public assistance account number, and some combination of address, date of birth, ISBE SIS ID number, Recipient Identification Number (RIN) and cell phone number) of 1,118,993 customers. IDHS program staff confirmed the threat actor could not access the public assistance account or benefits of customers with the information accessed.

Per PIPA, the Department is required to notify individuals affected. PIPA allows for substitute notice, rather than actual notice, when notification costs exceed \$250,000 or when the incident affects 500,000 individuals. Substitute notice requires notice sent via email (if the Department has email addresses on file), notification to major Statewide media, and posting on the Department's public website. The Department decided to complete written notice for the individuals whose SSNs were accessed and whose current addresses are on file, and substitute notice for the remaining individuals.

On October 31, 2024, the Department sent written notice to 2,918 customers whose SSNs were accessed. The remaining 1,783 individuals will be considered noticed via the media release and website posting as the Department does not have their current address on file. On November 21, 2024, the Department sent email notice to the 3 employees whose SSNs were accessed. The Department continues to work on substitute notice for individuals whose public assistance account information was viewed, including issuing a media release and posting on the public website. The Department sent a preliminary notice to the Illinois General Assembly (GA) and the Illinois Office of the Attorney General on May 10, 2024. The Department will send a supplemental notice to the GA and Illinois Office of the Attorney General as the full impact of the breach was not known at time of preliminary notice.

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	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	First Responder Behavioral Health Grant 0300	State CURES 0324
ASSETS							
Unexpended appropriations	\$ 545,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,563
Cash deposited with State Treasurer	500	815	797	24,880	57,669	10,000	297
Cash and cash equivalents	188	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	104	5,904	8,945	-	-
Due from other government - federal	19,856	-	-	-	-	-	-
Recipient services and other receivables, net	4,823	-	2	118	179	-	-
Due from other Department funds	5,052	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	26
Due from other State funds	97,792	-	268	-	447	-	-
Inventories	6,784	-	-	-	-	-	-
Total assets	\$ 680,804	\$ 815	\$ 1,171	\$ 30,902	\$ 67,240	\$ 10,000	\$ 14,886
LIABILITIES							
Accounts payable and accrued liabilities	484,777	201	596	18,630	51,073	-	13,980
Due to other government - federal	3,196	15	-	-	-	-	-
Due to other government - local	36,751	-	-	2	-	-	552
Due to other Department fiduciary funds	11	-	-	-	-	-	-
Due to other State fiduciary funds	-	108	-	-	-	-	-
Due to other Department funds	147	-	-	-	-	-	-
Due to other State funds	47,033	47	-	203	-	-	5,024
Due to State of Illinois component units	4,161	-	-	508	650	-	30
Unearned revenue	23,785	-	-	3,945	-	-	-
Obligations under securities lending of State Treasurer	-	-	104	5,904	8,945	-	-
Total liabilities	599,861	371	700	29,192	60,668	-	19,586
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	17,789	-	-	-	-	-	-
Total Deferred Inflows of Resources	17,789	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	6,784	-	-	-	-	-	-
Restricted	-	-	471	-	6,572	10,000	-
Committed	-	444	-	1,710	-	-	-
Unassigned	56,370	-	-	-	-	-	(4,700)
Total fund balances (deficits)	63,154	444	471	1,710	6,572	10,000	(4,700)
Total liabilities, deferred inflows and fund balances (deficits)	\$ 680,804	\$ 815	\$ 1,171	\$ 30,902	\$ 67,240	\$ 10,000	\$ 14,886

(Continued)

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	Care Provider Fund for Persons with a Developmental Disability 0344	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Community Mental Health Medicaid Trust 0718	Off-Hours Child Care Program 0791	Eliminations	Total
ASSETS							
Unexpended appropriations	\$ 177	\$ -	\$ -	\$ -	\$ -	-	\$ 560,549
Cash deposited with State Treasurer	-	62,761	-	13,089	2,000	-	172,808
Cash and cash equivalents	-	-	-	-	-	-	188
Securities lending collateral equity with State Treasurer	-	9,514	-	1,481	265	-	26,213
Due from other government - federal	-	1,634	-	6,159	-	-	27,649
Recipient services and other receivables, net	-	247	388	30	5	-	5,792
Due from other Department funds	-	-	-	-	-	-	5,052
Due from State of Illinois component units	-	-	-	-	-	-	26
Due from other State funds	-	-	-	-	-	-	98,507
Inventories	-	-	-	-	-	-	6,784
Total assets	\$ 177	\$ 74,156	\$ 388	\$ 20,759	\$ 2,270	\$ -	\$ 903,568
LIABILITIES							
Accounts payable and accrued liabilities	1,321	1,839	-	3,441	-	-	575,858
Due to other government - federal	-	-	-	3	-	-	3,214
Due to other government - local	-	33	-	-	-	-	37,338
Due to other Department fiduciary funds	-	-	-	-	-	-	11
Due to other State fiduciary funds	-	-	-	22	-	-	130
Due to other Department funds	-	-	-	-	-	-	147
Due to other State funds	-	-	-	10	-	-	52,317
Due to State of Illinois component units	-	-	-	-	-	-	5,349
Unearned revenue	-	-	-	-	-	-	27,730
Obligations under securities lending of State Treasurer	-	9,514	-	1,481	265	-	26,213
Total liabilities	1,321	11,386	-	4,957	265	-	728,307
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	1,928	-	-	19,717
Total Deferred Inflows of Resources	-	-	-	1,928	-	-	19,717
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	6,784
Restricted	-	-	-	-	2,005	-	19,048
Committed	-	62,770	388	13,874	-	-	79,186
Unassigned	(1,144)	-	-	-	-	-	50,526
Total fund balances (deficits)	(1,144)	62,770	388	13,874	2,005	-	155,544
Total liabilities, deferred inflows and fund balances (deficits)	\$ 177	\$ 74,156	\$ 388	\$ 20,759	\$ 2,270	\$ -	\$ 903,568

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, 2023 (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	First Responder Behavioral Health Grant 0300	State CURES 0324
REVENUES							
Federal operating grants, net of refunds	\$ 251,176	\$ -	\$ -	\$ 230,055	\$ 84,064	\$ -	\$ 70,776
Licenses and fees, net of refunds	57	-	-	-	-	-	-
Interest and investment income	-	-	10	2,034	1,126	-	-
Other charges for services, net of refunds	96	-	-	-	-	-	-
Other revenues, net of refunds	678	-	-	-	-	-	-
Total revenues	252,007	-	10	232,089	85,190	-	70,776
EXPENDITURES							
Health and social services	5,421,517	4,544	1,284	230,075	85,396	-	90,039
Debt service - principal	2,615	-	-	71	-	-	-
Debt service - interest	117	-	-	4	-	-	-
Capital outlays	53,663	-	-	-	-	-	-
Total expenditures	5,477,912	4,544	1,284	230,150	85,396	-	90,039
Excess (deficiency) of revenues over (under) expenditures	(5,225,905)	(4,544)	(1,274)	1,939	(206)	-	(19,263)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	6,269,958	-	-	-	-	-	585,902
Lapsed appropriations	(278,282)	-	-	-	-	-	(403,321)
Receipts collected and transmitted to State Treasury	(189,647)	-	-	-	-	-	(168,018)
Amount of SAMS transfers-in	(30,943)	-	-	-	-	-	-
Amount of SAMS transfers-out	4,763	-	-	-	-	-	-
Transfers-in	-	4,763	1,255	-	-	10,000	-
Transfers-out	(512,584)	-	-	-	-	-	-
Lease and installment purchase financing	600	-	-	-	-	-	-
Net other sources (uses) of financial resources	5,263,865	4,763	1,255	-	-	10,000	14,563
Net change in fund balances	37,960	219	(19)	1,939	(206)	10,000	(4,700)
Fund balances (deficits), July 1, 2022	23,224	225	490	(229)	6,778	-	-
Increase (decrease) for change in inventories	1,970	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ 63,154	\$ 444	\$ 471	\$ 1,710	\$ 6,572	\$ 10,000	\$ (4,700)

(Continued)

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, 2023 (Expressed in Thousands)

	Care Provider Fund for Persons with a Developmental Disability 0344	Health and Human Services Medicaid Trust 0365	Commitment to Human Services 0644	Community Mental Health Medicaid Trust 0718	Off-Hours Child Care Program 0791	Eliminations	Total
REVENUES							
Federal operating grants, net of refunds	\$ -	\$ 3,441	\$ -	\$ 47,219	\$ -	\$ -	\$ 686,731
Licenses and fees, net of refunds	-	-	-	-	-	-	57
Interest and investment income	-	1,191	-	364	5	-	4,730
Other charges for services, net of refunds	-	-	-	-	-	-	96
Other revenues, net of refunds	-	13	-	-	-	-	691
Total revenues	-	4,645	-	47,583	5	-	692,305
EXPENDITURES							
Health and social services	45,781	5,052	20	46,235	-	-	5,929,943
Debt service - principal	-	-	-	-	-	-	2,686
Debt service - interest	-	-	-	-	-	-	121
Capital outlays	-	-	-	-	-	-	53,663
Total expenditures	45,781	5,052	20	46,235	-	-	5,986,413
Excess (deficiency) of revenues over (under) expenditures	(45,781)	(407)	(20)	1,348	5	-	(5,294,108)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	44,999	-	-	-	-	-	6,900,859
Lapsed appropriations	(21)	-	-	-	-	-	(681,624)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	(357,665)
Amount of SAMS transfers-in	-	-	-	-	-	-	(30,943)
Amount of SAMS transfers-out	-	-	-	-	-	-	4,763
Transfers-in	-	40,471	-	-	2,000	(37,234)	21,255
Transfers-out	-	-	-	-	-	37,234	(475,350)
Lease and installment purchase financing	-	-	-	-	-	-	600
Net other sources (uses) of financial resources	44,978	40,471	-	-	2,000	-	5,381,895
Net change in fund balances	(803)	40,064	(20)	1,348	2,005	-	87,787
Fund balances (deficits), July 1, 2022	(341)	22,706	408	12,526	-	-	65,787
Increase (decrease) for change in inventories	-	-	-	-	-	-	1,970
FUND BALANCES (DEFICITS), June 30, 2023	\$ (1,144)	\$ 62,770	\$ 388	\$ 13,874	\$ 2,005	\$ -	\$ 155,544

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (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	Survivors Human Trafficking 0132
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	222	275	33,102	33,569	1,714	471	18
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	49	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Due from other government - federal	15,730	-	1,706	4,857	-	-	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	99	-	-	-	-
Other receivables, net	108	1	1,131	7	-	-	-
Loans and notes receivable, net	-	91	-	-	-	-	-
Due from other Department funds	-	-	-	10	-	-	-
Due from other State funds	-	-	1,183	-	-	-	-
Due from State of Illinois component units	2	-	-	-	-	-	-
Inventories	-	-	2,043	-	-	-	-
Total assets	\$ 16,062	\$ 416	\$ 39,264	\$ 38,443	\$ 1,714	\$ 471	\$ 18
LIABILITIES							
Accounts payable and accrued liabilities	14,030	120	6,399	7,965	-	-	-
Due to other government - federal	9	-	1,907	117	-	-	-
Due to other government - local	726	-	115	1,182	-	-	-
Due to other State fiduciary funds	59	-	58	832	-	-	-
Due to other Department funds	-	-	-	-	-	-	-
Due to other State funds	17	-	78	1,326	-	-	-
Due to State of Illinois component units	1,221	-	285	947	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	49	-	-	-	-	-
Total liabilities	16,062	169	8,842	12,369	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	12	-	-	-
Total Deferred Inflows of Resources	-	-	-	12	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	2,043	-	-	-	-
Restricted	-	247	-	26,062	-	-	18
Committed	-	-	28,379	-	1,714	471	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	-	247	30,422	26,062	1,714	471	18
Total liabilities, deferred inflows and fund balances (deficits)	\$ 16,062	\$ 416	\$ 39,264	\$ 38,443	\$ 1,714	\$ 471	\$ 18

(Continued)

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

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	Special Revenue						
	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Ronald McDonald House Charities 0165	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211	Autism Research Check-off 0228
ASSETS							
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Cash deposited with State Treasurer	5,106	1,279	302	36	45	6,481	4
Cash and cash equivalents	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	956	231	-	-	-	1,239	1
Investments	-	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	-	1,121	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	19	5	-	-	-	25	-
Loans and notes receivable, net	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total assets	\$ 6,081	\$ 1,515	\$ 302	\$ 36	\$ 45	\$ 8,866	\$ 5
LIABILITIES							
Accounts payable and accrued liabilities	1,408	459	-	-	-	1,208	-
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	9	-	-	-	-	8	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	956	231	-	-	-	1,239	1
Total liabilities	2,376	690	-	-	-	2,455	1
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	1,121	-
Total Deferred Inflows of Resources	-	-	-	-	-	1,121	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	825	302	36	45	-	4
Committed	3,705	-	-	-	-	5,290	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	3,705	825	302	36	45	5,290	4
Total liabilities, deferred inflows and fund balances (deficits)	\$ 6,081	\$ 1,515	\$ 302	\$ 36	\$ 45	\$ 8,866	\$ 5

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

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	Special Revenue							
	100 Club of Illinois 0268	Drunk and Drugged Driving Prevention 0276	Federal National Community Services 0343	Employment and Training 0347	Drug Treatment 0368	Sexual Assault Services 0389	Gaining Early Awareness and Readiness for Undergraduate Programs 0394	Autism Care 0399
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	28	1,089	-	139,348	13,463	537	-	39
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Due from other government - federal	-	-	-	157,822	-	-	-	-
Due from other government - local	-	-	-	-	241	8	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	-	121	-	-	-	-
Loans and notes receivable, net	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	406	-	-	-
Due from State of Illinois component units	-	-	-	9	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 28	\$ 1,089	\$ -	\$ 297,300	\$ 14,110	\$ 545	\$ -	\$ 39
LIABILITIES								
Accounts payable and accrued liabilities	-	29	-	145,660	63	-	-	-
Due to other government - federal	-	1	-	22	2	-	-	-
Due to other government - local	-	1	-	3,823	-	-	-	-
Due to other State fiduciary funds	-	6	-	151	15	-	-	-
Due to other Department funds	-	-	-	-	-	-	-	-
Due to other State funds	-	3	-	27,573	6	-	-	-
Due to State of Illinois component units	-	-	-	1,012	260	-	-	-
Unearned revenue	-	-	-	61,400	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	40	-	239,641	346	-	-	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	53,411	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	53,411	-	-	-	-
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	28	-	-	-	-	-	-	39
Committed	-	1,049	-	-	13,764	545	-	-
Assigned	-	-	-	4,248	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances (deficits)	28	1,049	-	4,248	13,764	545	-	39
Total liabilities, deferred inflows and fund balances (deficits)	\$ 28	\$ 1,089	\$ -	\$ 297,300	\$ 14,110	\$ 545	\$ -	\$ 39

(Continued)

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

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	Special Revenue							
	DHS Special Purposes Trust 0408	Autism Awareness 0458	Old Age Survivors Insurance 0495	Early Intervention Services Revolving 0502	DHS Community Services 0509	Domestic Violence Abuser Services 0528	DHS Federal Projects 0592	Special Olympics Illinois 0623
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	74,543	26	1,737	30,796	137,429	217	107	5
Cash and cash equivalents	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	6,044	22,557	-	-	-
Investments	-	-	-	-	-	-	-	-
Due from other government - federal	11,807	-	1,436	7,538	-	-	6,998	-
Due from other government - local	-	-	-	-	-	2	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-
Other receivables, net	190	-	-	1,361	452	-	150	-
Loans and notes receivable, net	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	-
Due from other State funds	538	-	-	66	4,062	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 87,078	\$ 26	\$ 3,173	\$ 45,805	\$ 164,500	\$ 219	\$ 7,255	\$ 5
LIABILITIES								
Accounts payable and accrued liabilities	14,876	-	1,686	19,522	2,168	-	4,347	4
Due to other government - federal	8	-	86	2	5	-	2,237	-
Due to other government - local	1,050	-	1	460	977	-	1,065	-
Due to other State fiduciary funds	33	-	573	14	37	-	7	-
Due to other Department funds	-	-	-	-	-	-	-	-
Due to other State funds	494	-	827	37	1,790	-	18,063	-
Due to State of Illinois component units	2,859	-	-	488	1,198	-	58	-
Unearned revenue	2,281	1	-	3,931	-	-	608	1
Obligations under securities lending of State Treasurer	-	-	-	6,044	22,557	-	-	-
Total liabilities	21,601	1	3,173	30,498	28,732	-	26,385	5
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	7,501	-	-	2,211	-	-	1	-
Total Deferred Inflows of Resources	7,501	-	-	2,211	-	-	1	-
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	25	-	-	-	-	-	-
Committed	57,976	-	-	13,096	135,768	219	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(19,131)	-
Total fund balances (deficits)	57,976	25	-	13,096	135,768	219	(19,131)	-
Total liabilities, deferred inflows and fund balances (deficits)	\$ 87,078	\$ 26	\$ 3,173	\$ 45,805	\$ 164,500	\$ 219	\$ 7,255	\$ 5

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

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	Special Revenue							
	DHS State Projects 0642	Alcoholism and Substance Abuse 0646	DHS Private Resources 0690	U.S.D.A. Women Infants and Children 0700	Hunger Relief 0706	Serve Illinois Commission 0727	Tobacco Settlement Recovery 0733	Illinois Opioid Remediation State Trust 0734
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	308	\$ -
Cash deposited with State Treasurer	79,436	12	2,035	7,986	781	401	-	85,118
Cash and cash equivalents	-	-	-	4,567	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	119	-	-	-
Investments	-	-	-	-	-	-	-	-
Due from other government - federal	-	11,942	-	68	-	1,250	-	-
Due from other government - local	-	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-
Other receivables, net	101	-	1	9,595	2	-	-	335,759
Loans and notes receivable, net	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	42	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 79,537	\$ 11,954	\$ 2,036	\$ 22,216	\$ 902	\$ 1,693	\$ 308	\$ 420,877
LIABILITIES								
Accounts payable and accrued liabilities	24,645	9,719	7	17,851	250	1,153	95	936
Due to other government - federal	-	1	-	7	-	1	5	-
Due to other government - local	-	837	-	3,153	-	59	165	-
Due to other State fiduciary funds	3	9	-	52	-	10	30	-
Due to other Department funds	-	-	-	-	-	-	-	-
Due to other State funds	52,478	19	-	43	-	16	13	-
Due to State of Illinois component units	-	333	-	77	-	81	-	-
Unearned revenue	-	1,036	2,029	1,033	-	40	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	119	-	-	-
Total liabilities	77,126	11,954	2,036	22,216	369	1,360	308	936
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	309	-	-	-	-	-	317,720
Total Deferred Inflows of Resources	-	309	-	-	-	-	-	317,720
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,546	-	-	-	533	333	-	102,221
Committed	865	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(309)	-	-	-	-	-	-
Total fund balances (deficits)	2,411	(309)	-	-	533	333	-	102,221
Total liabilities, deferred inflows and fund balances (deficits)	\$ 79,537	\$ 11,954	\$ 2,036	\$ 22,216	\$ 902	\$ 1,693	\$ 308	\$ 420,877

(Continued)

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

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	Special Revenue							
	Thriving Youth Income Tax Checkoff 0752	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	Homelessness Prevention Revenue 0889
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	65	8,993	903	-	234	-	2,498	2,843
Cash and cash equivalents	-	-	4	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Due from other government - federal	-	-	-	-	-	-	-	-
Due from other government - local	-	-	-	-	27	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-
Other receivables, net	-	1	-	-	-	-	43	-
Loans and notes receivable, net	-	-	-	-	-	-	-	-
Due from other Department funds	-	-	3	-	-	-	-	-
Due from other State funds	-	-	101	-	-	-	-	327
Due from State of Illinois component units	-	1	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 65	\$ 8,995	\$ 1,011	\$ -	\$ 261	\$ -	\$ 2,541	\$ 3,170
LIABILITIES								
Accounts payable and accrued liabilities	-	2,994	32	-	11	-	2,127	296
Due to other government - federal	-	2	-	-	-	-	2	-
Due to other government - local	-	477	-	-	9	-	158	-
Due to other State fiduciary funds	-	6	-	-	-	-	10	-
Due to other Department funds	-	5,052	1	-	-	-	-	-
Due to other State funds	-	97	148	-	24	-	6	-
Due to State of Illinois component units	-	367	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	238	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	8,995	181	-	44	-	2,541	296
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	65	-	830	-	-	-	-	2,874
Committed	-	-	-	-	217	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances (deficits)	65	-	830	-	217	-	-	2,874
Total liabilities, deferred inflows and fund balances (deficits)	\$ 65	\$ 8,995	\$ 1,011	\$ -	\$ 261	\$ -	\$ 2,541	\$ 3,170

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

(Continued)

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

Special Revenue

	Youth Drug Abuse Prevention 0910	Juvenile Justice Trust 0911	DHS Recoveries Trust 0921	DHS Other Special Trusts 1139	DHS Rehabilitation 1144	DHS/DORS Special Revenue 1149	Food Stamp and Commodity 1245	Vending Facility Program for the Blind 1385
ASSETS								
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash deposited with State Treasurer	567	785	4,621	-	-	-	-	-
Cash and cash equivalents	-	-	-	338	64	360	-	355
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-	-	-
Investments	-	-	-	316	-	-	-	-
Due from other government - federal	-	159	-	44	-	-	-	-
Due from other government - local	-	-	-	-	-	31	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-
Other receivables, net	-	-	84,568	-	-	-	-	15
Loans and notes receivable, net	-	-	-	-	-	-	-	261
Due from other Department funds	-	-	-	-	-	282	-	-
Due from other State funds	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	\$ 567	\$ 944	\$ 89,189	\$ 698	\$ 64	\$ 673	\$ -	\$ 631
LIABILITIES								
Accounts payable and accrued liabilities	-	418	98	-	-	-	-	17
Due to other government - federal	-	-	36,506	-	3	-	-	-
Due to other government - local	-	44	2	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	3	-	10
Due to other State funds	-	133	8	-	-	-	-	-
Due to State of Illinois component units	-	39	-	-	-	-	-	-
Unearned revenue	-	310	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	-	-	-	-	-	-	-
Total liabilities	-	944	36,614	-	3	3	-	27
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	126	82,235	44	-	-	-	-
Total Deferred Inflows of Resources	-	126	82,235	44	-	-	-	-
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	655	61	670	-	604
Committed	567	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(126)	(29,660)	(1)	-	-	-	-
Total fund balances (deficits)	567	(126)	(29,660)	654	61	670	-	604
Total liabilities, deferred inflows and fund balances (deficits)	\$ 567	\$ 944	\$ 89,189	\$ 698	\$ 64	\$ 673	\$ -	\$ 631

(Continued)

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

State of Illinois
Department of Human Services
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023 (Expressed in Thousands)

	<u>Permanent</u>		
	DHS/DORS		
	Permanent Trust	Burr Bequest	Total
	1150	1272	
ASSETS			
Unexpended appropriations	\$ -	\$ -	\$ 308
Cash deposited with State Treasurer	-	-	679,266
Cash and cash equivalents	380	1,036	7,104
Securities lending collateral equity with State Treasurer	-	-	31,196
Investments	207	-	523
Due from other government - federal	-	-	222,478
Due from other government - local	-	-	309
Taxes receivable, net	-	-	99
Other receivables, net	-	-	433,655
Loans and notes receivable, net	-	-	352
Due from other Department funds	-	-	295
Due from other State funds	-	-	6,683
Due from State of Illinois component units	-	-	54
Inventories	-	-	2,043
Total assets	\$ 587	\$ 1,036	\$ 1,384,365
LIABILITIES			
Accounts payable and accrued liabilities	-	-	280,593
Due to other government - federal	-	-	40,923
Due to other government - local	-	-	14,304
Due to other State fiduciary funds	-	-	1,908
Due to other Department funds	134	-	5,200
Due to other State funds	-	-	103,216
Due to State of Illinois component units	-	-	9,225
Unearned revenue	-	-	72,908
Obligations under securities lending of State Treasurer	-	-	31,196
Total liabilities	134	-	559,473
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	464,691
Total Deferred Inflows of Resources	-	-	464,691
FUND BALANCES (DEFICITS)			
Nonspendable	159	945	3,147
Restricted	294	91	138,408
Committed	-	-	263,625
Assigned	-	-	4,248
Unassigned	-	-	(49,227)
Total fund balances (deficits)	453	1,036	360,201
Total liabilities, deferred inflows and fund balances (deficits)	\$ 587	\$ 1,036	\$ 1,384,365

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

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, 2023 (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	Survivors Human Trafficking 0132
REVENUES							
Federal operating grants, net of refunds	\$ 103,737	\$ -	\$ 2,101	\$ 143,182	\$ -	\$ -	\$ -
Licenses and fees, net of refunds	-	-	-	-	-	1,390	-
Interest and investment income	-	8	-	-	-	-	-
Other charges for services, net of refunds	-	-	23,209	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-	-
Other taxes, net of refunds	-	-	556	-	-	-	-
Other revenues, net of refunds	-	-	-	1	288	-	2
Total revenues	103,737	8	25,866	143,183	288	1,390	2
EXPENDITURES							
Health and social services	103,737	73	22,012	136,827	(107)	1,200	-
Debt service - principal	-	-	688	116	-	-	-
Debt service - interest	-	-	54	6	-	-	-
Capital outlays	-	-	1,029	453	-	-	-
Total expenditures	103,737	73	23,783	137,402	(107)	1,200	-
Excess (deficiency) of revenues over (under) expenditures	-	(65)	2,083	5,781	395	190	2
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	-	100	-	-	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	100	-	-	-
Net change in fund balances	-	(65)	2,083	5,881	395	190	2
Fund balances (deficits), July 1, 2022	-	312	28,290	20,181	1,319	281	16
Decrease for changes in inventories	-	-	49	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ -	\$ 247	\$ 30,422	\$ 26,062	\$ 1,714	\$ 471	\$ 18

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

(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, 2023 (Expressed in Thousands)

	Special Revenue						
	Mental Health Reporting 0148	Sexual Assault Services and Prevention 0158	Ronald McDonald House Charities 0165	Children's Wellness Charities 0178	Housing for Families 0181	DHS Technology Initiative 0211	Autism Research Check-off 0228
REVENUES							
Federal operating grants, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,208	\$ -
Licenses and fees, net of refunds	2,025	-	-	-	-	-	-
Interest and investment income	207	36	-	-	-	242	-
Other charges for services, net of refunds	-	379	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-	-
Other revenues, net of refunds	-	-	156	-	-	-	-
Total revenues	2,232	415	156	-	-	3,450	-
EXPENDITURES							
Health and social services	4,878	447	-	-	-	5,102	-
Debt service - principal	-	-	-	-	-	2	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	4,878	447	-	-	-	5,104	-
Excess (deficiency) of revenues over (under) expenditures	(2,646)	(32)	156	-	-	(1,654)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	146	-	-	-	-
Net other sources (uses) of financial resources	-	-	146	-	-	-	-
Net change in fund balances	(2,646)	(32)	302	-	-	(1,654)	-
Fund balances (deficits), July 1, 2022	6,351	857	-	36	45	6,944	4
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ 3,705	\$ 825	\$ 302	\$ 36	\$ 45	\$ 5,290	\$ 4

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

(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, 2023 (Expressed in Thousands)

	Special Revenue						
	100 Club of Illinois 0268	Drunk and Drugged Driving Prevention 0276	Federal National Community Services 0343	Employment and Training 0347	Drug Treatment 0368	Sexual Assault Services 0389	Gaining Early Awareness and Readiness for Undergraduate Programs 0394
REVENUES							
Federal operating grants, net of refunds	\$ -	\$ -	\$ 3,853	\$ 1,295,368	\$ -	\$ -	\$ -
Licenses and fees, net of refunds	-	1,295	-	-	-	-	-
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	28	-	-	-	4,127	169	-
Total revenues	<u>28</u>	<u>1,295</u>	<u>3,853</u>	<u>1,295,368</u>	<u>4,127</u>	<u>169</u>	<u>-</u>
EXPENDITURES							
Health and social services	-	943	(1)	1,662,793	5,364	-	-
Debt service - principal	-	-	-	8	-	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>943</u>	<u>(1)</u>	<u>1,662,801</u>	<u>5,364</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28</u>	<u>352</u>	<u>3,854</u>	<u>(367,433)</u>	<u>(1,237)</u>	<u>169</u>	<u>-</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	-	375,000	4,973	-	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>4,973</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>28</u>	<u>352</u>	<u>3,854</u>	<u>7,567</u>	<u>3,736</u>	<u>169</u>	<u>-</u>
Fund balances (deficits), July 1, 2022	-	697	(3,854)	(3,319)	10,028	376	-
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	<u>\$ 28</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 4,248</u>	<u>\$ 13,764</u>	<u>\$ 545</u>	<u>\$ -</u>

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

(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, 2023 (Expressed in Thousands)

	Special Revenue						
	Autism Care 0399	DHS Special Purposes Trust 0408	Autism Awareness 0458	Old Age Survivors Insurance 0495	Early Intervention Services Revolving 0502	DHS Community Services 0509	Domestic Violence Abuser Services 0528
REVENUES							
Federal operating grants, net of refunds	\$ -	\$ 101,616	\$ -	\$ 66,937	\$ 62,098	\$ 18,422	\$ -
Licenses and fees, net of refunds	-	-	23	-	790	-	-
Interest and investment income	-	-	-	-	626	2,395	-
Other charges for services, net of refunds	-	-	-	-	-	-	-
Other operating grants, net of refunds	-	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-	-
Other revenues, net of refunds	-	-	-	-	(47)	57	33
Total revenues	-	101,616	23	66,937	63,467	20,874	33
EXPENDITURES							
Health and social services	-	102,617	-	66,937	186,573	39,255	3
Debt service - principal	-	-	-	-	2	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	-	102,617	-	66,937	186,575	39,255	3
Excess (deficiency) of revenues over (under) expenditures	-	(1,001)	23	-	(123,108)	(18,381)	30
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	-	-	100,350	59,724	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	100,350	59,724	-
Net change in fund balances	-	(1,001)	23	-	(22,758)	41,343	30
Fund balances (deficits), July 1, 2022	39	58,977	2	-	35,854	94,425	189
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ 39	\$ 57,976	\$ 25	\$ -	\$ 13,096	\$ 135,768	\$ 219

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

(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, 2023 (Expressed in Thousands)

	Special Revenue						
	DHS Federal Projects 0592	Special Olympics Illinois 0623	DHS State Projects 0642	Alcoholism and Substance Abuse 0646	DHS Private Resources 0690	U.S.D.A. Women Infants and Children 0700	Hunger Relief 0706
REVENUES							
Federal operating grants, net of refunds	\$ 50,529	\$ -	\$ 143,179	\$ 52,081	\$ -	\$ 172,084	\$ -
Licenses and fees, net of refunds	-	14	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	19
Other charges for services, net of refunds	-	-	-	-	-	-	-
Other operating grants, net of refunds	137	-	-	35	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-	-
Other revenues, net of refunds	-	-	1,558	-	275	-	181
Total revenues	50,666	14	144,737	52,116	275	172,084	200
EXPENDITURES							
Health and social services	58,715	14	143,554	51,908	241	172,084	250
Debt service - principal	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	34	-	-
Total expenditures	58,715	14	143,554	51,908	275	172,084	250
Excess (deficiency) of revenues over (under) expenditures	(8,049)	-	1,183	208	-	-	(50)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	-
Transfers-in	-	-	2,316	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	2,316	-	-	-	-
Net change in fund balances	(8,049)	-	3,499	208	-	-	(50)
Fund balances (deficits), July 1, 2022	(11,082)	-	(1,088)	(517)	-	-	583
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ (19,131)	\$ -	\$ 2,411	\$ (309)	\$ -	\$ -	\$ 533

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

(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, 2023 (Expressed in Thousands)

	Special Revenue						
	Serve Illinois Commission 0727	Tobacco Settlement Recovery 0733	Illinois Opioid Remediation State Trust 0734	Thriving Youth Income Tax Checkoff 0752	Local Initiative 0762	Rehabilitation Services Elementary and Secondary Education Act 0798	Grant V. Dimas Escrow 0818
REVENUES							
Federal operating grants, net of refunds	\$ 6,303	\$ -	\$ -	\$ -	\$ 17,855	\$ 246	\$ -
Licenses and fees, net of refunds	-	-	-	-	-	-	-
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	-	1,144	105,832	-	-	327	-
Total revenues	6,303	1,144	105,832	-	17,855	573	-
EXPENDITURES							
Health and social services	6,303	2,313	3,611	-	17,854	566	-
Debt service - principal	-	-	-	-	1	-	-
Debt service - interest	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	108	-
Total expenditures	6,303	2,313	3,611	-	17,855	674	-
Excess (deficiency) of revenues over (under) expenditures	-	(1,169)	102,221	-	-	(101)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	4,227	-	-	-	-	-
Lapsed appropriations	-	(1,862)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(1,196)	-	-	-	-	-
Transfers-in	-	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	1,169	-	-	-	-	-
Net change in fund balances	-	-	102,221	-	-	(101)	-
Fund balances (deficits), July 1, 2022	333	-	-	65	-	931	-
Decrease for changes in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ 333	\$ -	\$ 102,221	\$ 65	\$ -	\$ 830	\$ -

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

(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, 2023 (Expressed in Thousands)

	Special Revenue							
	Domestic Violence Shelter and Service 0865	Maternal and Child Health Services Block Grant 0872	Community Mental Health Services Block Grant 0876	Homelessness Prevention Revenue 0889	Youth Drug Abuse Prevention 0910	Juvenile Justice Trust 0911	DHS Recoveries Trust 0921	DHS Other Special Trusts 1139
REVENUES								
Federal operating grants, net of refunds	\$ -	\$ -	\$ 47,011	\$ -	\$ -	\$ 1,660	\$ -	\$ 315
Licenses and fees, net of refunds	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	5
Other charges for services, net of refunds	-	-	-	-	-	-	10,807	-
Other operating grants, net of refunds	-	-	-	-	-	-	-	-
Other taxes, net of refunds	-	-	-	-	-	-	-	-
Other revenues, net of refunds	394	-	-	-	275	-	-	204
Total revenues	394	-	47,011	-	275	1,660	10,807	524
EXPENDITURES								
Health and social services	611	-	47,011	924	233	1,738	6,328	571
Debt service - principal	-	-	-	-	-	-	13	-
Debt service - interest	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	611	-	47,011	924	233	1,738	6,341	571
Excess (deficiency) of revenues over (under) expenditures	(217)	-	-	(924)	42	(78)	4,466	(47)
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	-	-	-	1,319	-	-	-	-
Transfers-out	-	-	-	-	-	-	-	-
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	1,319	-	-	-	-
Net change in fund balances	(217)	-	-	395	42	(78)	4,466	(47)
Fund balances (deficits), July 1, 2022	434	-	-	2,479	525	(48)	(34,126)	701
Decrease for changes in inventories	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), June 30, 2023	\$ 217	\$ -	\$ -	\$ 2,874	\$ 567	\$ (126)	\$ (29,660)	\$ 654

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

(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, 2023 (Expressed in Thousands)

	Special Revenue				Permanent		
	DHS Rehabilitation 1144	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	\$ -	\$ -	\$ 6,468,606	\$ -	\$ -	\$ -	\$ 8,760,391
Licenses and fees, net of refunds	-	-	-	-	-	-	5,537
Interest and investment income	-	-	-	-	18	33	3,589
Other charges for services, net of refunds	-	-	-	-	-	-	34,395
Other operating grants, net of refunds	-	-	-	-	-	-	172
Other taxes, net of refunds	-	-	-	-	-	-	556
Other revenues, net of refunds	211	358	-	413	9	-	115,995
Total revenues	211	358	6,468,606	413	27	33	8,920,635
EXPENDITURES							
Health and social services	258	369	6,468,606	242	-	7	9,322,964
Debt service - principal	-	-	-	-	-	-	830
Debt service - interest	-	-	-	-	-	-	60
Capital outlays	-	-	-	-	-	-	1,624
Total expenditures	258	369	6,468,606	242	-	7	9,325,478
Excess (deficiency) of revenues over (under) expenditures	(47)	(11)	-	171	27	26	(404,843)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	6,730
Lapsed appropriations	-	-	-	-	-	-	(4,365)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	(1,196)
Transfers-in	-	-	-	-	-	-	543,782
Transfers-out	-	-	-	(100)	-	-	(100)
Transfer of administration of funds (to)/from other State agencies	-	-	-	-	-	-	146
Net other sources (uses) of financial resources	-	-	-	(100)	-	-	544,997
Net change in fund balances	(47)	(11)	-	71	27	26	140,154
Fund balances (deficits), July 1, 2022	108	681	-	533	426	1,010	219,998
Decrease for changes in inventories	-	-	-	-	-	-	49
FUND BALANCES (DEFICITS), June 30, 2023	\$ 61	\$ 670	\$ -	\$ 604	\$ 453	\$ 1,036	\$ 360,201

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

State of Illinois
Department of Human Services
Combining Statement of Fiduciary Net Position -
Custodial Funds

June 30, 2023 (Expressed in Thousands)

	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
ASSETS			
Cash and cash equivalents	\$ 4,450	\$ 4	\$ 4,454
Investments	890	-	890
Due from other government - federal	37	-	37
Due from other Department funds	-	11	11
Total assets	5,377	15	5,392
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
NET POSITION			
Restricted for:			
Individuals	5,377	15	5,392
Total net position	\$ 5,377	\$ 15	\$ 5,392

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

State of Illinois
Department of Human Services
Combining Statement of Changes in Fiduciary Net Position -
Custodial Funds

For the Year Ended June 30, 2023 (Expressed in Thousands)

	DHS Resident's Trust 1143	DHS/DORS Agency 1147	Total
Additions			
Interest and other investment income	\$ 44	\$ -	\$ 44
Resident deposits received	2,639	-	2,639
Other additions	-	25	25
Total additions	<u>2,683</u>	<u>25</u>	<u>2,708</u>
Deductions			
Custodial fund disbursed	3,536	-	3,536
Other deductions	-	29	29
Total deductions	<u>3,536</u>	<u>29</u>	<u>3,565</u>
Net Increase (decrease) in fiduciary net position	(853)	(4)	(857)
Net position July 1, 2022	<u>6,230</u>	<u>19</u>	<u>6,249</u>
Net position June 30, 2023	<u>\$ 5,377</u>	<u>\$ 15</u>	<u>\$ 5,392</u>

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

**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***

RSM US LLP

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department of Human Services (Department) of the State of Illinois (the State), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and we have issued our report thereon dated December 11, 2024. Our report contained an emphasis of matter paragraph to indicate the basic financial statements represent a Department of the State.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 through 2023-009 that we consider to be material weaknesses.

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 2023-002, 2023-007 and 2023-008.

Department's 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 basic 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 2023-005 through 2023-009. The State of Illinois, Department of Healthcare and Family Services' responses were not subjected to the other auditing procedures applied in the audit of the basic 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 11, 2024

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-001 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 did not track expenditures paid by fund and report 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 did not always deposit 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.

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 throughout calendar year 2024.

Corrected Misstatements:

- 1) In the General Revenue Fund (0001), expenditures were overstated by \$476 thousand and grant receipts were understated by \$2.7 million in the SCO-563 form. This resulted in an understatement of unearned revenue and overstatement of Federal Operating Grant Revenue by \$3.2 million. Further, certain opening balances in the SCO-563 form were not accurate, which resulted in an understatement of unearned revenue and overstatement of Federal Operating Grant Revenue of \$1.1 million.
- 2) In the General Revenue Fund (0001), assistance listing number (ALN) 10.561 included COVID-related funding with the non-COVID related funding. When working with the Department to split the activity between COVID-related funding and non-COVID related funding, an overstatement of Unearned Revenue and understatement of Federal Operating Grant Revenue of \$2.7 million was identified.
- 3) In the General Revenue Fund (0001), expenditures in the SCO-563 were understated by \$7.8 million for ALN 10.561C. This resulted in an understatement of Due from Other Governments – Federal and Unavailable Revenue by \$7.8 million.
- 4) In the General Revenue Fund (0001), a transfer in the amount of \$16.3 million was incorrectly recorded, resulting in an overstatement of Federal Operating Grant Revenue.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

**Finding 2023-001 Inadequate Internal Controls over Accounting for Federal Awards
(Continued)**

- 5) In the Employment and Training Fund (0347), expenditures in the SCO-563 form were overstated by \$94.5 million resulting in an overstatement of Federal Operating Grant Revenue, Unavailable Revenue and Due from Other Governments - Federal.
- 6) In the Employment and Training Fund (0347), certain opening balances in the SCO-563 form were not accurate, which resulted in an overstatement of Due from Other Governments – Federal and Unavailable Revenue in the amount of \$47.1 million.
- 7) A transfer was captured incorrectly between the Employment and Training Fund (0347) and the Special Purpose Trust Fund (Fund 0408), in the amount of \$5.2 million. Further, a transfer was captured incorrectly in the amount of \$16.3 million, resulting in an understatement of Federal Operating Grant Revenue.
- 8) In the Employment and Training Fund (0347), expenditures in the SCO-563 form were overstated by \$68.8 million due to inclusion of expenditures and grant receipts to be reported by the Department of Child and Family Services in Fund 0220. This resulted in an overstatement of Due from Other Governments – Federal by \$7.4 million and Federal Operating Grant Revenue by \$68.8 million, and an understatement of Unearned Revenue by \$61.4 million
- 9) In the Food Stamp and Commodity Fund (1245), the SNAP major program expenditure report for ALNs 10.551 and 10.542 did not include June activity. This resulted in an understatement of Federal Operating Grants Revenue and Health and Social Services Expenses of \$376.8 million. Further, the activity recorded for fiscal year 2024 did not include emergency allotment funding. This resulted in an understatement of Federal Operating Grant Revenue and Health and Social Services expenditures of \$91 million.
- 10) In the Special Purpose Trust Fund (0408), certain opening balances in the SCO-563 form were not accurate, which resulted in an overstatement of Federal Operating Grant Revenue of \$357 thousand, overstatement of Due from Other Governments – Federal of \$461 thousand, overstatement of Unavailable Revenue of \$1.2 million, and an understatement of Unearned Revenue of \$1 million.
- 11) In the DHS Federal Projects Fund (0592), certain opening balances in the SCO-563 form were not accurate, which resulted in an understatement of Unearned Revenue and Due To by \$10.3 million.
- 12) In the Vocational Rehabilitation Fund (0081), certain opening balances in the SCO-563 form were not accurate, which resulted in an overstatement of Federal Operating Grant Revenue of \$7 million.

The errors reflected above were corrected in the final financial statements.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

**Finding 2023-001 Inadequate Internal Controls over Accounting for Federal Awards
(Continued)**

Uncorrected Misstatements:

Uncorrected misstatements were identified as follows:

- 1.) In the Vocational Rehabilitation Fund (0081), Federal Operating Grant Revenue was recognized in excess of eligible expenditures incurred which resulted in an uncorrected misstatement for an overstatement of Federal Operating Grant Revenue in the amount of \$6.3 million.
- 2.) In the USDA Women, Infants and Children Fund (0700), the ending unearned revenue balance per the SCO-563 form did not agree to the trial balance. As a result, Federal Operating Grant Revenue was overstated and unearned revenue was understated by \$2.7 million.
- 3.) In the DHS Special Purposes Trust Fund (0408), DHS Technology Initiative Fund (0211) and the Employment and Training Fund (0347), certain costs that were incurred in FY22 were included in total reimbursable costs in the SCO-563 in FY23 instead of in FY22, resulting in an understatement of prior year Federal Operating Grant Revenue and an overstatement of current year Federal Operating Grants Revenue of \$6 million, \$1 million, and \$1.7 million, respectively.

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.

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.

Department management indicated that several federal grant programs operated through more than one fund. For these programs, expenditures for each Federal award are tracked in total and provided to Fiscal Services in a report called a "bucket report." The bucket report does not indicate which funds the expenditures were paid from resulting in misallocations on the SCO-563 forms. Additionally, other errors resulted from additional COVID-19 related grant funding in FY23 which then had to be separated from ongoing programs. The June 2023 expenditure data was not made available in time to be included in the FY23 GAAP reporting.

As a result of errors in the SCO forms used as a basis for recording financial statement transactions, the draft financial statements were materially misstated as noted in the discussion above. (Finding Code No. 2023-001, 2022-001)

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

**Finding 2023-001 Inadequate Internal Controls over Accounting for Federal Awards
(Continued)**

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.

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. The expenditure and receipts data used to prepare the draft financial statements comes from the general ledger module in ERP. The Department prepared a reconciliation of ERP federal grant expenditures by ALN versus the buckets provided by the Federal Reporting area. Moving forward, the Department will also include ERP draw/receipt data. Additionally, the Department will compare expenditures against receipts by both fund and ALN to conclude whether the amounts are reasonable. Finally, the Department will investigate large balances shown as “Due from Other Governments” for those grants that are drawn on a reimbursement basis.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-002 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 \$424 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 \$16.1 million 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 unable 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.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-002 Medical Assistance Program Financial Information (Continued)

Internal controls over financial reporting for governmental entities should be designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, and/or compliance with provisions of applicable laws and regulations.

The Governmental Accounting Standards Board's *Codification of Governmental Financial and Reporting Standards*, Section 1100.101, provides that a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. This requires the financial statements to agree with and to be supported by the Department's underlying records to enable accurate financial statements to be prepared.

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, the plan was not executed prior to June 30, 2023.

Lack of sufficient internal controls over transactions and balances recorded in the Department's financial statements increases the likelihood of misstatements. (Finding Code No. 2023-002, 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.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – *Government Auditing Standards*

Finding 2023-002 Medical Assistance Program Financial Information (Continued)

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department has begun drafting an interagency agreement with the Department of Healthcare and Family Services (HFS), which will outline the responsibilities of each agency regarding the reliability of HFS' MMIS data. The Department will also work with HFS to outline how the federal MAP receivables are supported by reports and source data compiled by HFS. Lastly, the Department will monitor the interagency agreement and make necessary modifications as needed.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-003 Intergovernmental Expenses

The Department of Human Services (Department) does not have sufficient internal control over accounting for intergovernmental expense transactions.

In contractual services expenditures for the General Revenue Fund (0001), three transactions totaling \$9 million out of 46 transactions totaling \$97.3 million tested that were recognized during the year ended June 30, 2023, were expenditures incurred in the year ended June 30, 2022 and should have been recognized for the year ended June 30, 2022. Of the three transactions, two were intergovernmental charges from the Department of Innovation and Technology (DoIT).

In equipment expenditures for the General Revenue Fund (0001), two transactions totaling \$6.2 million out of 12 transactions totaling \$13.6 million tested that were recognized during the year ended June 30, 2023, were expenditures incurred in the year ended June 30, 2022 and should have been recognized for the year ended June 30, 2022. Both transactions were intergovernmental charges from the DoIT

Upon further investigation, it was determined there were approximately \$53.5 million of contractual services and other expenditures incurred by DoIT to be billed out to the Department, of which only approximately \$37.5 million had been recognized in accounts payable during fiscal year 2022. The Department reported nearly \$15.9 million in expenditures for the year ended June 30, 2023, that were incurred for data center charges, supplemental IT charges and communication charges in the year ended June 30, 2022.

GASB Codification Section 1600 provides the authoritative guidance for reporting expenditure transactions. Paragraph 119 states “In the absence of an explicit requirement to do otherwise, a government should accrue a governmental fund liability and expenditure in the period in which the government incurs the liability. Governmental fund liabilities and expenditures that should be accrued include liabilities that, once incurred, normally are paid in a timely manner and in full from current financial resources—for example, salaries, professional services, supplies, utilities, and travel. To the extent not paid, such liabilities generally represent claims against current financial resources and should be reported as governmental fund liabilities.”

Department management indicated they used the amount of expenditures paid to the revolving fund during FY23 lapse period to identify the \$37.5 million that was owed to DoIT at June 30, 2022.

As a result of the errors noted above, expenditures in the prior year financial statements were understated and expenditures in the current year financial statements were overstated by \$15.9 million. (Finding Code No. 2023-003)

Recommendation

We recommend the Department utilize information provided by the Illinois Office of Comptroller (IOC) SCO-565 Inter-Fund Payable/Receivable form in preparing and reviewing its final inter-fund balances.

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department will utilize the data on the SCO-565 provided by the Illinois Office of the Comptroller in preparing and reviewing inter-fund balances included in GAAP reports and financial statements.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-004 Classification of Fund Balance

The Department of Human Services (Department) did not properly classify fund balance in the General Revenue Fund.

During our testing of fund balance classifications, we noted that the Department inappropriately classified \$57,470,000 of fund balance in the General Revenue Fund. The \$57,470,000 of fund balance was reported as restricted fund balance but should have been reported as unassigned fund balance.

GASB Codification Section 1800 provides the authoritative guidance for reporting fund balance in governmental funds. Paragraph 179 states “Fund balance classifications should depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund could include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications.” Further, paragraph 178 states “Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

Department management indicated the General Revenue fund balance included a nonspendable portion relating to the balance of inventory, which led the Department to report the fund balance as restricted.

The improper classification of fund balance in the General Revenue Fund represents a failure in internal controls over financial reporting to identify an error with GASB reporting requirements. (Finding Code No. 2023-004)

Recommendation

We recommend the Department evaluate the policies and procedures in place related to fund balance review to ensure that categories are properly calculated, reviewed and reported.

Department Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department will continue to work with the Illinois Office of the Comptroller (IOC) on reviewing and updating the classification of Departmental fund balances.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-005 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES)

The Department of Human Services and the Department of Healthcare and Family Services (collectively, the “Departments”) 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, Mid-Point Reports, and redeterminations of eligibility as well as to make payments for the State’s human service programs. Additionally, the Departments work with the Department of Innovation and Technology (DoIT) for information technology management and support over IES.

The Departments’ Disaster Recovery Plan for its IES application did not include the following:

- Detailed recovery scripts over the application and its data,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Documentation on the backup and responsibilities for recovery of IES, and
- Documentation of the current environment.

Additionally, we noted the Departments did not conduct recovery testing of critical systems and components in fiscal year 2023.

This finding was first noted during the Departments’ financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its 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 *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Contingency Planning section requires entities to develop contingency plans for systems to achieve continuity of operations for organizational missions and business functions along with addressing system restoration and implementation of alternative missions or business processes when systems are compromised or breached.

The *Control Objectives for Information and Related Technologies* published by Information Systems Audit and Control Association (ISACA), Managed I&T-Related Risk Area, promotes controls for analyzing risks and maintaining a risk profile of risks and their potential impact and responses.

The Departments’ management indicated the delayed completion of the Information System Contingency Plan (ISCP) for the IES application was due to the time required for IES technical teams to formulate and vet a complete, detailed failover playbook that would meet the Department’s expectations for recovery time objectives.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-005 Inadequate Disaster Recovery Controls over the Integrated Eligibility System (IES) (Continued)

The lack of an adequate Disaster Recovery Plan and testing could result in the Departments' inability to recover IES data in the event of disaster, which would be detrimental to recipients of benefits, and the Departments' and State's operations. (DHS Finding Code No. 2023-005, 2022-004, 2021-007, 2020-009, 2019-009; HFS Finding Code No. 2023-002, 2022-002, 2021-003, 2020-005, 2019-005)

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 and implement adequate disaster recovery controls over IES. 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 over the application and its data,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Documentation on the backup and responsibilities for recovery of IES, and
- Documentation of the current environment.

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 Department has worked with IES application stakeholders, including DoIT, to complete the Information System Contingency Plan in FY24. The plan documents the recovery control requirements of the finding. A comprehensive tabletop test exercise of the IES contingency plan and playbook was completed on December 1, 2023. The Department will work toward testing and updating the IES contingency plan annually.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services accepts the recommendation. The IES application and data reside on the Department of Innovation and Technology (DoIT) infrastructure and as our service provider they are responsible for ensuring disaster recovery controls are in place and tested. The Department of Human Services has worked with IES application stakeholders to complete the Information System Contingency Plan in FY24. The plan documents the recovery control requirements noted. A comprehensive tabletop test exercise of the IES contingency plan and playbook was completed on December 1, 2023. The Departments will work with DoIT to test and update the IES contingency plan annually.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-006 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) and security controls over the Integrated Eligibility System (IES).

Management of the Departments has 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, Mid-Point Reports, 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 disaster recovery controls are noted in Finding Code No. 2023-005.

Environment

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

During the Departments’ internal security review, completed as part of its Plan of Actions and Milestones (2023) 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 three security breaches related to the IES system; the first breach occurred in August 2022, the second breach was discovered in March 2023, and the third breach occurred in August 2023.

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) system 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 the security of federal ADP systems and information processing.

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

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 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.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-006 Inadequate General Information Technology Controls over IES (Continued)

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 Departments' management indicated multi-year IES technology refresh projects are still in progress. The Departments continue working through project delays and challenges to resolve security weaknesses and close out aged Plan of Action and Milestone findings.

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

Change Control

IES Application Changes - Policies and Procedures

Based on our review of sampled infrastructure changes, 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 for 5 out of 5 (100%) changes reviewed.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Fifth Revision, *Security and Privacy Controls for Information Systems and Organizations*, Configuration Management section, backout plans should be retained to support rollback of changes made to systems.

Additionally, DoIT's Change Management Policy requires that each change have a backout plan documented.

The Departments' management indicated the Departments have made improvements to the current change management process and are working with DoIT to provide additional infrastructure change required documentation.

Findings over the IES Environment and Change Control 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.

Failure to establish and document backout plans for changes to IES infrastructure diminishes the Departments' ability to recover the application if an error were to occur during the change process. (DHS Finding Code No. 2023-006, 2022-005, 2021-005, 2021-006, 2020-007, 2020-008, 2019-008, 2018-010, 2017-010; HFS Finding Code No. 2023-001, 2022-001, 2021-001, 2021-002, 2020-003, 2020-004, 2019-004, 2018-007, 2017-009)

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-006 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 (2023) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

We also recommend management of both Departments ensure backout plans are developed and documented for infrastructure changes.

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Departments will work to implement the IES Technical Refresh (TR) and Okta MFA projects, as planned in FY25, to resolve security weaknesses and close out aged Plan of Action and Milestone findings. The Department will also work with the Department of Innovation and Technology on documented backout plans with all IES infrastructure changes.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services accepts the recommendation. The IES application and data reside on the Department of Innovation and Technology (DoIT) infrastructure and as our service provider they are responsible for ensuring a secure environment, significant threats are identified and backout plans for changes are developed. The Departments will work with DoIT to implement the IES Technical Refresh (TR) and Okta MFA projects as planned in FY25 to resolve security weaknesses and close out aged Plan of Action and Milestone findings. The Departments will also require DoIT provide documented backout plans with all IES infrastructure changes.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-007 Inadequate Controls over Eligibility Determinations and Redeterminations

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the “Departments”) lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).

Management of the Departments have 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, Mid-Point Reports and redeterminations of eligibility as well as to make payments for the State’s human service programs.

In order to conclude if the determination of eligibility was proper, we selected a sample of 60 cases (30 new applications and 30 redeterminations) and tested whether the cases were properly certified (approved or denied) based on non-financial, financial and timeliness criteria. Our testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 12 of the 60 cases tested (20%), we noted exceptions. Specifically, we noted:

- Two new applications (7%) tested did not have the certification completed timely. Certifications were 12 and 162 days late.
- One new application (3%) tested did not have residency and citizenship verified.
- One redetermination (3%) did not have the required documentation maintained.
- Five redeterminations (17%) tested did not have the certification completed timely. Certifications were 35 to 101 days late.
- Two redeterminations (7%) used the net pay instead of the gross pay for the benefit calculation with no impact to the benefit provided.
- One redetermination (3%) had unearned income incorrectly calculated.

The Code of Federal Regulations (Code) (42 C.F.R. § 435.403), *Eligibility in the States, District of Columbia, the Northern Mariana Islands, and American Samoa*, requires recipients of Medicaid to provide documentary evidence of their citizenship, residency, SSNs, and income. Further, the Code (42 C.F.R. § 431.17),

Maintenance of Records, requires the Departments to maintain records of each applicant and beneficiary, including records which support the determination of eligibility.

The Code (7 C.F.R. § 273.10), *Determining Household Eligibility and Benefit Levels*, requires the household’s eligibility be determined for the month of application by considering the household’s circumstances for the entire calendar month in which the household filed its application. Eligibility for recertification shall be determined based on circumstances anticipated for the certification period starting the month following the expiration of the current certification period.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

**Finding 2023-007 Inadequate Controls over Eligibility Determinations and Redeterminations
(Continued)**

The Code (7 C.F.R. § 274.1 and §274.2), *Issuance System Approval Standards* and *Providing Benefits to Participants*, indicates DHS is responsible for the timely and accurate issuance of SNAP benefits to certified eligible households, and that all newly certified households (except those given expedited service) shall be given the opportunity to participate no later than 30 calendar days following the date the application was filed.

The Departments' management indicated contributing factors for the exceptions noted include worker errors in manual processes, the high volume of work and the complexity of the programs involved.

Inadequate controls over eligibility determinations resulted in determinations of eligibility that were not demonstrated or documented prior to recipient certification, and the State expending Federal and State funds for recipients that may not have been eligible to receive benefits. Noncompliance with federal laws and regulations could lead to sanctions and/or loss of future Federal funding, disallowance of costs, and the requirement to return Federal funds previously received. (DHS Finding Code No. 2023-007; HFS Finding Code No. 2023-003)

Recommendation

We recommend management of both Departments work together to implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, and to complete certifications of applications and redeterminations timely.

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS, in conjunction with HFS and our IES Vendor, is in the process of implementing additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, and that certifications are made timely.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services accepts the recommendation. The two cases related to medical were due to caseworker error. The Department has an ongoing monitoring program of caseworkers. The Bureau of Eligibility Integrity is working on a refresher training that is focused on errors caseworkers make.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-008 Insufficient Review and Documentation of Provider Enrollment

The Department of Healthcare and Family Services (HFS) and the Department of Human of Services (DHS) (collectively, the “Departments”) failed to sufficiently review and document provider enrollment requirements during the required monthly screenings for enrolled providers.

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

During fiscal year 2023, the IMPACT system had 304,070 active providers. Monthly batch screenings are utilized by the Departments to support providers continued to meet the enrollment criteria. In order to determine the Departments monitored the monthly batch screenings, we selected a sample of 60 providers for testing. Our testing results noted HFS was unable to provide support for one or more monthly batch screenings performed for 22 (37%) providers tested.

Finally, this finding was first noted during the Departments’ fiscal year 2018 financial audit, five years ago. While the Departments did successfully execute an interagency agreement as recommended in prior engagements, the Departments’ management has been unsuccessful in implementing a corrective action plan to remedy the provider enrollment deficiency.

The Code of Federal Regulations (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 statues, 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.

Finally, the Departments’ management teams are responsible for implementing timely corrective action on all of the findings identified during a financial audit.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-008 Insufficient Review and Documentation of Provider Enrollment (Continued)

The Departments' management indicated issues with provider monthly batch screenings was due to a system error which was corrected in June 2023.

Inadequate controls over the operation of IMPACT, such as insufficient review and monitoring of monthly batch screenings, could result in expenditures to providers who are were no longer eligible and represents noncompliance with the Code. (HFS Finding Code No. 2023-005, 2022-004, 2021-006, 2020-008, 2019-010, 2018-002; DHS Finding Code No. 2023-008, 2022-007, 2021-009, 2020-011, 2019-011, 2018-006)

Recommendation

We recommend the Departments strengthen internal controls to ensure providers continue to meet criteria in accordance with the Code.

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. A system error caused issues with the provider month batch screenings and was corrected as part of the IL -1.6 System Release in June 2023. Screenings have been occurring on a regular basis since then.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

Finding 2023-009 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 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. IMPACT is an automated system used by the Departments to accommodate provider enrollment approvals and all Medicaid claim payments to such providers.

The Departments did not have adequate user access controls for the IMPACT system. During testing auditors noted:

- Four of 17 (24%) terminated users from HFS had not been deleted from the system. As of June 30, 2023, the deletion of users was 15 to 336 days late.
- One of 17 (6%) terminated users from HFS did not have access timely deleted. The user was deleted from the system 148 days after the user’s termination date.
- One of one (100%) terminated users from DHS had not been deleted from the system. As of June 30, 2023, the deletion of the user was 346 days late.
- One of seven (14%) active users from DHS no longer required the use of IMPACT and did not have access timely deleted. As of June 30, 2023, the deletion of the user was 45 days late.

Although an automated process prevents access after 60 days from the user’s last login to the program, the users noted in the exceptions were not deleted. The automated process is for non-use only, after 60 days. However, if the individuals were to continue to utilize their accounts they would remain active until deleted.

This finding was first noted during the Departments’ fiscal year 2018 financial audit, five years ago. As such, the Departments’ management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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, requires entities to develop and comply with control over the timely termination of access rights and the periodic review of access rights.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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 of the State’s resources.

Finally, the Departments’ management teams are responsible for implementing timely corrective action on all of the findings identified during a financial audit.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Current Findings – Government Auditing Standards

**Finding 2023-009 Inadequate General Information Technology Controls over IMPACT
(Continued)**

HFS management stated user access was not timely terminated due to limitations in communication between the departments. DHS management stated user access was not timely terminated due to changes in staffing levels that led to difficulties in executing the offboarding process.

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 and could lead to confidential information being compromised. (HFS Finding Code No. 2023-004, 2022-003, 2021-005, 2020-007, 2019-010, 2018-002; DHS Finding Code No. 2023-009, 2022-008, 2021-010, 2020-012, 2019-012, 2018-005)

Recommendation

We recommend the Departments strengthen their internal controls over the timely removal of access to the IMPACT system for terminated employees or employees no longer requiring access.

Department of Human Services' Response

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review the onboarding and offboarding procedures. Administration will create a process to review User access. Monthly reminders will be sent to all managers reminding them of the requirements for terminating user access upon separation or transfer of employees.

Department of Healthcare and Family Services' Response

The Department of Healthcare and Family Services (HFS) accepts the recommendation. The Division of Personnel has implemented an exit process for employees leaving the Department. Part of this process is to ensure system access is communicated and removed promptly.

**State of Illinois
Department of Human Services**

**Schedule of Findings
For the Year Ended June 30, 2023**

Prior Findings Not Repeated – Government Auditing Standards

A. Finding (Other Accounts Receivable Misstatement)

During the previous engagement, the Department of Human Services did not have sufficient internal controls 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) contained receivables tracked in both the Accounts Receivable System (ARS) and the Enterprise Resource Planning (ERP) system. In preparing the June 30, 2022, financial statements, the Department only recorded the receivable balance tracked in the ARS system in Fund 0921 and failed to record the receivable balance tracked in the ERP in Fund 0921. The error resulted in understatement of gross other receivables, the allowance for uncollectible other receivables and unavailable revenue in the amounts of \$35 million, \$21 million, and \$14 million, respectively, in the June 30, 2022, governmental funds balance sheet. In addition, there was an understatement of gross other receivables and the allowance for uncollectible other receivables in the amounts of \$35 million and \$21 million, respectively, in the June 30, 2022, statement of net position and an understatement of other charges for services in the amount of \$14 million in the June 30, 2022, statement of activities.

During the current engagement, we noted the Department of Human Services included the balances from both the ARS system and the ERP. (Finding Code No. 2022-003)

B. Finding (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)

During the previous engagement, 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) during fiscal year 2022 with the Department of Innovation and Technology (DoIT) to define each agency's roles and responsibilities with respect to the Integrated Eligibility System (IES). The Departments had drafted an interagency agreement with DoIT defining the specific roles and responsibilities for each agency; however, it was not executed during FY 2022.

During the current engagement, we noted the Departments executed the IA with DoIT. (Finding Code No. 2022-006, 2021-008, 2020-010, 2019-010)