SIKICH®

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

FINANCIAL AUDIT

For the Year Ended June 30, 2024

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

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

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STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
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AGENCY OFFICIALS

Director (Acting) (1/1/24 – Present)	Elizabeth M. Whitehorn
Director (7/1/23 – 12/31/23)	Theresa Eagleson
Assistant Director (2/1/25 – Present)	Vacant
Assistant Director (7/1/23 – 1/31/25)	Jenny Aguirre
Chief of Staff (1/1/24 – Present)	Dana Kelly
Chief of Staff (11/1/23 – 12/31/23)*	Vacant
**Position was established 11/1/23.*	
Chief Operating Officer (6/1/24 – Present)	Vacant
Chief Operating Officer (7/1/23 – 5/31/24)	Ben Winick
Deputy Chief Operating Officer (11/1/24 – Present)	Aileen Kim
Deputy Chief Operating Officer (7/1/23 – 10/31/24)	Vacant
Chief Internal Auditor	Jamie Nardulli
General Counsel (1/6/25 – Present)	Kathryn Muse
General Counsel (Interim) (10/16/24 – 1/5/25)	Christopher Gange
General Counsel (3/1/24 – 10/15/24)	Kathleen Hill
General Counsel (7/1/23 – 3/31/24)	Steffanie Garrett
Inspector General (Acting)	Brian Dunn

DEPUTY DIRECTORS

Community Outreach (8/16/24 – Present)	Melishia Bansa
Community Outreach (7/1/23 – 8/15/24)	Vacant
Administrative Operations (11/4/25 – Present)	Vacant
Administrative Operations (7/1/23 – 11/3/25)	Tanya Ford-Davenport
Human Resources (5/1/25 – Present)	Stephanie Snow
Human Resources (11/1/24 – 4/30/25)	Vacant
Human Resources (7/1/23 – 10/31/24)	Terri Shawgo
New Initiatives (7/1/25 – Present)	Vacant
New Initiatives (5/16/24 – 6/30/25)	Laura Phelan
New Initiatives (7/1/23 – 5/15/24)	Vacant

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
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DIVISION ADMINSTRATORS

Child Support Services	Bryan Tribble
Finance	Michael Casey
Medical Eligibility (10/16/24 – Present)	Katherine Yager
Medical Eligibility (9/1/24 – 10/15/24)	Vacant
Medical Eligibility (12/10/23 – 8/31/24)	Tracy Keen
Medical Eligibility (Interim) (7/1/23 – 12/9/23)	Tracy Keen
Medical Programs (7/1/25 – Present)	Laura Phelan
Medical Programs (7/1/23 – 6/30/25)	Kelly (Cunningham) Jacobs
Personnel & Administrative Services (7/16/25 – Present)	Brian Spencer
Personnel & Administrative Services (1/1/25 –7/15/25)	Vacant
Personnel & Administrative Services (Interim) (7/1/23 – 12/31/24)	Ruth Ann Day

AGENCY OFFICES

The Department's primary administrative offices are located at:

201 South Grand Avenue East Springfield, Illinois 62763	401 South Clinton Chicago, Illinois 62607

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

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Healthcare and Family Services (Department) was performed by Sikich CPA LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Department's basic financial statements.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	8	7
Repeated Findings	4	5
Prior Recommendations Implemented or Not Repeated	3	4

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2024-001	56	2023/2017	Inadequate general information technology controls over IES	Material Weakness
2024-002	58	2023/2019	Inadequate disaster recovery controls over the Integrated Eligibility System (IES)	Material Weakness
2024-003	60	2023/2023	Inadequate controls over eligibility determinations and redeterminations	Material Weakness and Noncompliance
2024-004	62	New	IES backlog untimeliness	Material Weakness and Noncompliance
2024-005	64	New	Failure to perform provider revalidations	Material Weakness and Noncompliance
2024-006	67	2023/2022	Financial statement preparation weaknesses	Material Weakness
2024-007	71	New	Lack of disaster recovery testing	Material Weakness

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2024-008	72	New	Inadequate general information technology controls	Material Weakness
			Prior Findings Not Repeated	
A	74	2023/2018	Inadequate general information technology controls over IMPACT	
B	74	2023/2018	Insufficient review and documentation of provider enrollment determinations	
C	74	2023/2023	Failure to properly identify capital assets in accordance with reporting standards	

EXIT CONFERENCE

The Department waived exit conferences related to the findings within the report.

The responses to Findings 2024-006 through 2024-008 were provided by Jamie Nardulli, Chief Internal Auditor, in correspondence dated October 9, 2025. The responses to Findings 2024-001 through 2024-003 and 2024-005 were provided by Jamie Nardulli, Chief Internal Auditor, in correspondence dated November 12, 2025. The response to Finding 2024-004 was provided by Jamie Nardulli, Chief Internal Auditor, in correspondence dated January 15, 2026.

The Department of Human Services' responses to Findings 2024-001 through 2024-003 and 2024-005 were provided by Christopher Finley, Internal Auditor/Audit Liaison, in correspondence dated November 13, 2025. The Department of Human Services' response to Findings 2024-004 was provided by Matthew Sporlein, Internal Auditor/Audit Liaison, in correspondence dated January 15, 2026.

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INDEPENDENT AUDITOR'S REPORT

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 State of Illinois, Department of Healthcare and Family Services (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2024, 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. 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 to meet our 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, the 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, 2024, 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.

As discussed in Note 2 to the financial statements and above, the Department is not legally separate from the State of Illinois, and it relies heavily on the State's ability to appropriate resources for the continuation of the Department's health and social services programs. For the year ended June 30, 2024, approximately 35% of the Department's expenditures were funded with appropriations from the State of Illinois rather than from grants, fees and other revenues of the Department.

Further, as discussed in Note 20 to the financial statements of the Department, in fiscal year 2023, financial statements have been restated to correct misstatements. Additionally, the financial statements as of June 30, 2023 were restated due to an administering agency fund change.

Our opinions are not modified with respect to these matters.

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 judgement 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 judgement 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 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 and budgetary comparison information for the General Fund, pension, and other postemployment benefit (OPEB) related information for its Department-wide financial statements that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements of the Department in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements. The combining schedules of the general fund, nonmajor governmental funds, and custodial funds (accompanying supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2026 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, the Department's management, and the Department of Human Services' management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 23, 2026

State of Illinois

Department of Healthcare and Family Services

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2024 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Unexpended appropriations	$ 82,288	$ 37,986	$ 120,274	$ -	$ 120,274
Cash equity with State Treasurer	1,786,831	53,897	1,840,728	-	1,840,728
Cash and cash equivalents	3,241	-	3,241	-	3,241
Securities lending collateral equity with State Treasurer	224,282	1,600	225,882	-	225,882
Taxes receivable, net	257,396	-	257,396	-	257,396
Due from other government - federal	2,223,814	91,201	2,315,015	-	2,315,015
Due from other government - local	360,806	-	360,806	-	360,806
Other receivables, net	1,430,247	85	1,430,332	-	1,430,332
Due from other Department funds	-	787	787	(787)	-
Due from other State funds	372,129	1,661	373,790	-	373,790
Due from State of Illinois component units	50,386	-	50,386	-	50,386
Notes receivable	183,290	-	183,290	-	183,290
Prepaid expenses	-	-	-	606	606
Inventories	385	-	385	-	385
Capital assets not being depreciated	-	-	-	574,020	574,020
Capital assets being depreciated, net	-	-	-	51,379	51,379
Total assets	6,975,095	187,217	7,162,312	625,218	7,787,530
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - SERS pensions	-	-	-	182,846	182,846
Deferred outflows of resources - OPEB	-	-	-	93,331	93,331
Total deferred outflows of resources	-	-	-	276,177	276,177
Total assets and deferred outflows of resources	$ 6,975,095	$ 187,217	$ 7,162,312	901,395	8,063,707
LIABILITIES					
Accounts payable and accrued liabilities	$ 2,624,303	$ 23,622	$ 2,647,925	-	2,647,925
Due to other government - federal	1,159,974	194	1,160,168	-	1,160,168
Due to other government - local	424,596	26,599	451,195	-	451,195
Due to other Department funds	787	-	787	(787)	-
Due to other Department fiduciary funds	541	-	541	-	541
Due to other State funds	196,669	2,565	199,234	-	199,234
Due to other State fiduciary funds	723	1,388	2,111	-	2,111
Due to State of Illinois component units	206,890	179	207,069	-	207,069
Unearned revenue	87,967	-	87,967	-	87,967
Obligations under securities lending of State Treasurer	224,282	1,600	225,882	-	225,882
Long-term obligations:					
Due within one year	-	-	-	31,337	31,337
Due subsequent to one year	-	-	-	1,388,098	1,388,098
Total liabilities	4,926,732	56,147	4,982,879	1,418,648	6,401,527
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - Unavailable revenue	1,970,824	21,624	1,992,448	(1,992,448)	-
Deferred inflows of resources - SERS pensions	-	-	-	87,933	87,933
Deferred inflows of resources - OPEB	-	-	-	363,339	363,339
Total deferred inflows of resources	1,970,824	21,624	1,992,448	(1,541,176)	451,272
Total liabilities and deferred inflows of resources	6,897,556	77,771	6,975,327	(122,528)	6,852,799
FUND BALANCES (DEFICITS)/NET POSITION					
Fund balances (deficits)					
Nonspendable for inventories	385	-	385	(385)	-
Restricted for health and social services	1,048	-	1,048	(1,048)	-
Committed for health and social services	1,900,979	109,446	2,010,425	(2,010,425)	-
Unassigned	(1,824,873)	-	(1,824,873)	1,824,873	-
Net investment in capital assets	-	-	-	581,045	581,045
Restricted net position for health and social services	-	-	-	1,048	1,048
Unrestricted net position	-	-	-	628,815	628,815
Total fund balances (deficits)/net position	77,539	109,446	186,985	$ 1,023,923	$ 1,210,908
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 6,975,095	$ 187,217	$ 7,162,312		

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Healthcare and Family Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2024
(Expressed in Thousands)

Total fund balances (deficit) - governmental funds	$	186,985
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 funds.		625,399
Prepaid expenses for governmental activities are current uses of financial resources for funds.		606
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		1,992,448
Deferred outflows of resources related to pension liability are not reported in the governmental funds since they do not provide current financial resources.		182,846
Deferred inflows of resources related to pension liability are not reported in the governmental funds since they do not use current financial resources.		(87,933)
Deferred outflows of resources related to OPEB liability are not reported in the governmental funds since they do not provide current financial resources.		93,331
Deferred inflows of resources related to OPEB liability are not reported in the governmental funds since they do not use current financial resources.		(363,339)
Some 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 activities consist of:		
Lease obligations		(2,065)
Compensated absences		(12,481)
Subscription-based information technology arrangements obligation		(42,289)
Net pension liability - SERS		(1,034,081)
Total OPEB liability		(328,519)
Net position of governmental activities	$	1,210,908

The accompanying notes to the financial statements are an integral part of this statement.

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

For the Year Ended June 30, 2024 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	$ 30,787,252	$ 743,166	$ 31,530,418	$ (86,875)	$ 31,443,543
Debt service principal	17,976	4,478	22,454	(22,454)	-
Debt service interest	1,615	443	2,058	-	2,058
Capital outlays	203,690	14,665	218,355	(218,355)	-
Total expenditures/expenses	31,010,533	762,752	31,773,285	(327,684)	31,445,601
Program revenues:					
Charges for services:					
Licenses and fees	44	147	191	-	191
Other, net	321,026	500	321,526	(94,792)	226,734
Total charges for services	321,070	647	321,717	(94,792)	226,925
Operating grant revenue:					
Federal, net	21,163,520	429,967	21,593,487	(641,288)	20,952,199
Other	1,106,263	-	1,106,263	3,963	1,110,226
Total operating grant revenue	22,269,783	429,967	22,699,750	(637,325)	22,062,425
Total program revenues	22,590,853	430,614	23,021,467	(732,117)	22,289,350
Net program expenses					(9,156,251)
General revenues:					
Interest and investment income	39,300	411	39,711	-	39,711
Medical provider assessment tax	3,815,003	-	3,815,003	112,091	3,927,094
Other taxes, net	281,229	-	281,229	(5,909)	275,320
Other	25,196	-	25,196	(2,147)	23,049
Total general revenues	4,160,728	411	4,161,139	104,035	4,265,174
Other sources (uses):					
Appropriations from State resources	10,167,340	590,010	10,757,350	-	10,757,350
Lapsed appropriations	277,234	(3,430)	273,804	-	273,804
Receipts collected and transmitted to State Treasury	(4,617,391)	(236,206)	(4,853,597)	-	(4,853,597)
Capital transfers to other State agencies	-	-	-	57,634	57,634
Loss on disposition of assets	-	-	-	(4,492)	(4,492)
Amount of SAMS transfers-out	55,000	-	55,000	-	55,000
Transfers-in	-	63,200	63,200	(63,200)	-
Transfers-out	(103,530)	-	(103,530)	63,200	(40,330)
Lease financing	16,746	7	16,753	(16,753)	-
Total other sources (uses)	5,795,399	413,581	6,208,980	36,389	6,245,369
Change in fund balances/net position	1,536,447	81,854	1,618,301	(264,009)	1,354,292
Fund balances (deficits)/net position, July 1, 2023	(386,206)	22,302	(363,904)	1,227,988	864,084
Restatement of beginning fund balances (deficits)/net position	(1,072,629)	5,290	(1,067,339)	59,871	(1,007,468)
Fund balances (deficits)/net position, July 1, 2023, as restated	(1,458,835)	27,592	(1,431,243)	1,287,859	(143,384)
Decrease for change in inventories	(73)	-	(73)	73	-
Fund balances (deficits)/net position, June 30, 2024	$ 77,539	$ 109,446	$ 186,985	$ 1,023,923	$ 1,210,908

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Healthcare and Family 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, 2024
(Expressed in Thousands)

Net change in fund balances - governmental funds	$ 1,618,301
Change in inventories	(73)
	1,618,228
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. This is the amount by which capital outlays exceeded depreciation and losses on disposals in the current period.	197,559
Transfers of capital assets to other State agencies are not recorded in governmental funds. This amount represents the net transfers of capital assets at no cost from other State funds in the Statement of Activities.	57,634
Disposition of capital assets to other State agencies are not recorded in governmental funds. This amount represents the loss on disposition of capital assets at no cost from other State funds in the Statement of Activities.	(4,492)
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expenses over the prior year.	(1)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	(628,082)
Deferred outflows of resources related to pension liability in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds. This amount represents the increase in deferred outflows over the prior year.	5,354
Deferred inflows of resources related to pension liability in the Statement of Activities that do not use current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred inflows over the prior year.	34,303
Deferred outflows of resources related to OPEB liability in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred outflows over the prior year.	(12,646)
Deferred inflows of resources related to OPEB liability in the Statement of Activities that do not use current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred inflows over the prior year.	114,213
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.	22,454
Issuance of long-term debt provides current financial resources to governmental funds. In the Statement of Net Position, however, issuing debt increases long-term liabilities.	(16,753)
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. These include:	
Increase in compensated absences obligation	(960)
Increase in net pension liability - SERS	(24,897)
Increase in total OPEB liability	(7,622)
Change in net position of governmental activities	$ 1,354,292

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Healthcare and Family Services

Statement of Fiduciary Net Position

June 30, 2024 (Expressed in Thousands)

	Custodial Funds
ASSETS	
Cash equity with State Treasurer	$ 45,581
Cash and cash equivalents	1,637
Other receivables, net	165,752
Due from other Department funds	541
Total assets	213,511
LIABILITIES	
Accounts payable and accrued liabilities	184,346
Total liabilities	184,346
NET POSITION	
Restricted net position	29,165
Total net position	$ 29,165

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Healthcare and Family Services

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2024
(Expressed in Thousands)

	Custodial Funds
Additions	
Custodial fund deposits received	$ 1,036,148
Total additions	1,036,148
Deductions	
Custodial funds disbursed	1,018,415
Total deductions	1,018,415
Net increase (decrease) in fiduciary net position	17,733
Net position, July 1, 2023	11,432
Net position, June 30, 2024	$ 29,165

The accompanying notes to the financial statements are an integral part of this statement.

(1) Organization

The Department of Healthcare and Family Services (Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the General Assembly. The Department generally operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the Office of Comptroller) as defined by the General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Child Support Enforcement Trust Fund – SDU.

The Department is organized to provide for the improvement of the lives of Illinois' families through healthcare coverage and child support enforcement.

(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

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Annual Comprehensive Financial Report (ACFR) may be obtained by accessing the Office of Comptroller's website - https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/annual-comprehensive-financial-report/.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Healthcare and Family Services, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, 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, 2024, and the changes in financial position for the year then ended in conformity with GAAP.

The financial activities of the Department, which consist only of governmental and fiduciary activities, are reported under the health and social services function in the State of Illinois' 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 the fund financial data to government-wide data in a separate column. A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist of governmental activities that are generally financed through taxes and intergovernmental 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 in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the functions 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 all taxes, 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 on fund financial statements is the major governmental fund, which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds – 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 accounted for in another fund. The services that are administered by the Department and accounted for in the General Fund include, among others, promoting access to quality healthcare and child support. 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.

Additionally, the Department reports the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for transactions related to resources obtained from specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Department does not have any major special revenue funds to disclose.

Fiduciary Fund Types:

Custodial – These funds account for transactions related to assets collected by the Department, acting in a custodial capacity for distribution to other governmental units or 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 and additions are recorded when earned and expenses and deductions 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 nursing home assessments, hospital assessments, and intergovernmental grants. On an accrual basis, revenues from the nursing home assessments are recognized in the fiscal year in which the underlying exchange transaction occurs. 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 are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State 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 formal debt issues, claims and judgments, and compensated absences are recorded only when the payment is due. Capital asset acquisitions, including entering into contracts giving the Department the right to use leased assets and subscription assets, are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases and subscription-based information technology arrangements (SBITAs) are reported as other financing sources.

Significant revenue sources that are susceptible to accrual include the nursing home assessment, hospital assessments, federal matching revenues, drug rebates, intergovernmental transfer agreement revenues, and child support. Other miscellaneous revenue sources are considered measurable and available only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Fund accounts, General Revenue, State Coronavirus Urgent Remediation Emergency, Care Provider for Persons with Developmental Disabilities, and the Trauma Center, as well as the nonmajor governmental fund, the Tobacco Settlement Recovery Fund, represent only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Annual Comprehensive Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

<u>Unexpended Appropriations</u>

This "asset" account represents lapse period warrants issued by the Office of Comptroller after June 30 annually, in accordance with the Statewide Accounting Management System (SAMS) records, plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year and voucher, interfund payments, and mandatory SAMS transfer transactions held by the Office of Comptroller at June 30.

<u>Appropriations from State Resources</u>

The "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. Lapsed appropriations for certain Medicaid expenditures are the legally adopted appropriations less net warrants issued for the up to 16 month period from July to October of the following year. The Department also considers the effect of the change in the amount of warrants and interfund transactions held by the Office of Comptroller in the current and prior years on both unexpended appropriations described above and amounts reported as lapsed appropriations; as a result, the amount reported as lapsed appropriations for fiscal year 2024 reduced the Department's net position/fund balance by $379 million.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from 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 provision 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 to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column 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. 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 less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

(g) Investments

Most investments are reported at fair value. The Illinois Funds is reported at amortized cost.

(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 mailing and office supplies, in governmental funds and are reported at first-in, first-out (FIFO). 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 Expenses

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 and Transactions with State of Illinois Component Units

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

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 and the government-wide statement of net position.

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 financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The Department also has activity with various component units of the State of Illinois for medical programs, intergovernmental transfer agreements and payments for services.

(k) Capital Assets

Capital assets, which includes property, plant, and equipment, and intangible assets, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at acquisition value at the time received. Right-to-use lease assets and subscription-based information technology arrangements (SBITAs) are recorded at cost based on the present value of expected payments over the lease or SBITA term plus any payments made to the lessor at or before the commencement of the lease or SBITA term and certain direct costs that are ancillary charges necessary to place the asset into service. Capital assets, right-to-use lease assets, and SBITAs are depreciated and amortized using the straight-line method over the following estimated useful lives or over the lease or SBITA term. Intangible assets (purchased computer software and internally generated computer software) are assets that do not have a physical existence, are non-financial in nature, are not in a monetary form, and have a useful life of over one year.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Equipment	$ 5,000	3-10
Purchased Computer Software	$ 25,000	3-5
Internally Generated Computer Software	$1,000,000	5-20
Right-to-use-lease assets	$ 25,000	Lease Term
SBITAs	$ 25,000	SBITA Term

(l) 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, deferred outflows of resources, represents a consumption of net assets 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department has recorded deferred outflows and inflows of resources in the government-wide financial statements in connection with the net pension liability reported and explained in Note 11 and the total post-employment benefits liability reported and explained in Note 12. Unavailable revenues in governmental funds include receivables not "available" to finance the current period.

(m) 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 has been calculated based on the employees' current salary level and includes salary related cost (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.

(n) Pensions

In accordance with the Department's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, 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 plan's 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 recognition of outflows and inflows of resources due to pension assets and liabilities.

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 plan and additions to/deductions from the plan's 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.

(o) Postemployment Benefits Other Than Pensions (OPEB)

The State provides health, dental, vision, and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program (SEGIP). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period (see Note 12).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements.

(p) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Department's highest level of decision-making authority rests with the General Assembly and the Governor. The State enacts "Public Acts" to commit their fund balances.

Assigned – This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned – This consists of residual fund balance that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

In the General Fund, it is the Department's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

In other governmental funds (special revenue), it is the Department's policy to consider restricted resources to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Department first utilizes any assigned amounts, followed by committed and then restricted amounts.

(q) Net Position

In the government-wide statement of net position, net position is displayed in three components as follows:

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

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are

available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed. The government-wide statement of net position reports $1.048 million of restricted net position, all of which is restricted by enabling legislation.

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

(r) 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, 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.

(s) Adoption of New GASB Pronouncements

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

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. The Department did not identify any accounting changes for fiscal year 2024 and analyzed any potential adjustments in relation to Statement No. 100 guidance over accounting changes and error corrections.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in 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. Detail on the nature of these deposits and investments are available within the State of Illinois' Annual Comprehensive Financial Report.

Cash on deposit for locally held funds of fiduciary activities had carrying amounts and bank balances of $1.637 million and $10.289 million, respectively, at June 30, 2024. Balances in excess of FDIC depository insurance were covered by collateral held by the Department's agent in the Department's name.

(b) Investments

Section 2 of the Public Funds Investment Act limits the State's investments outside the State Treasury to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding $500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Investments of public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act are also permitted.

As a governmental sponsored investment pool, The Illinois Funds is not eligible to register with the Securities and Exchange Commission ("SEC") and thus is not a registrant with the SEC. The Illinois Funds has elected to measure its investments at amortized cost in accordance with GASB Statement No. 79.

As of June 30, 2024, the Department had $3.241 million invested with the Illinois 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 Statement No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments at amortized cost. The fair value of the pool position is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from the pool.

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Illinois Funds were rated AAAmmf by Fitch.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Department's investment in a single user. The Department does not have a formal investment policy which restricts investments to address concentration of credit risk.

Custodial Credit Risk: The Department does not have a formal investment policy that restricts investments to address custodial credit risk. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the Department would not be able to recover the value of investment or collateral securities in the possession of an outside party.

(c) Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position

The Statement of Net Position and the Statement of Fiduciary Net Position cash and cash equivalents account contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

	Deposits	Investments
Governmental Activities		
Amount per note	$ -	$ 3,241
Cash equivalents	3,241	(3,241)
Amounts per Statement of Net Position	$ 3,241	$ -
Fiduciary Funds		
Cash on deposit	$ 1,382	$ -
Cash due to/from Fund 0957	255	-
Amounts per Statement of Fiduciary Net Position	$ 1,637	$ -

(4) Accounts Receivable

(a) Taxes Receivable

Taxes receivable (amounts expressed in thousands) at June 30, 2024 are as follows:

	General Fund
Taxes receivable	$ 259,398
Less: allowance for uncollectible taxes	(2,002)
Taxes receivable, net	$ 257,396

(b) Other Receivables

Other receivables (amounts expressed in thousands) at June 30, 2024 are as follows:

	General Fund	Nonmajor Governmental Funds	Fiduciary Funds
Other receivables	$ 1,622,291	$ 94	$ 3,066,891
Less: allowance for uncollectible accounts	(192,044)	(9)	(2,901,139)
Other receivables, net	$ 1,430,247	$ 85	$ 165,752

(5) Notes Receivable

Notes Receivable at June 30, 2024, consisted of amounts owed to the Department for advances issued to long-term care providers and hospitals with a 0% interest rate charged. The balances consisted of the following (amounts expressed in thousands):

	General Fund
Notes receivable due within one year	$ 159,766
Notes receivable due after one year	23,524
Total	$ 183,290

(6) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due from Department funds and other State funds.

Fund	Due from: Other Department Funds	Due from: Other State Funds	Description/Purpose
General	$ -	$ 372,129	Due from other State funds for subgrant expenditures.
Other Nonmajor Funds	787	1,661	Due from other Department funds and other State funds for the Illinois Health and Human Services Innovation Incubators (HHSi2).
	$ 787	$ 373,790	

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due to Department funds, other Department fiduciary funds, other State funds, and other State fiduciary funds.

Fund	Due to: Other Department Funds	Due to: Other Department Fiduciary Funds	Due to: Other State Funds	Due to: Other State Fiduciary Funds
General	$ 787	$ 541	$ 196,669	$ 723
Nonmajor governmental funds	-	-	2,565	1,388
	$ 787	$ 541	$ 199,234	$ 2,111

Within the General Fund, amounts were reported as due to (1) other Department funds for the Illinois Health and Human Services Innovation Incubators (HHSi2). (2) other State funds for services, Court of Claims reimbursements, awards and grant payments, and (3) other State fiduciary funds for retirement benefits.

Within the Nonmajor governmental funds, amounts were reported as due to (1) other State funds for services and Court of Claims awards, and (2) other State fiduciary funds for retirement benefits.

(b) Transfers to/from Other Funds

Interfund transfers-in (amounts expressed in thousands) for the year ended June 30, 2024 were as follows:

Fund	Other Department Funds	Description/Purpose
Nonmajor governmental funds	$ 63,200	Transfer from other Department funds per State appropriation.

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2024 were as follows:

Fund	Other Department Funds	Other State Funds	Description/Purpose
General	$ 63,200	$ 40,330	Transfers to other Department funds and other State funds per State appropriation.
	$ 63,200	$ 40,330	

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

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due from State of Illinois Component Units to the General Fund for intergovernmental agreement reimbursements.

Component Unit	Due From General Fund
Southern Illinois University	$ 941
University of Illinois	49,445
	$ 50,386

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due to State of Illinois Component Units for medical reimbursements.

Component Unit	Due To General Fund	Due To Other Nonmajor Funds
Illinois State University	$ 13	$ 1
Northern Illinois University	224	4
Southern Illinois University	5,410	8
University of Illinois	201,243	166
	$ 206,890	$ 179

(7) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023, as restated	Additions	Deletions	Net Transfers	Balance June 30, 2024
Governmental Activities:					
Capital assets not being depreciated/amortized:					
Internally generated intangible assets in development	$ 316,251	$ 214,507	$ 14,372	$ 57,634	$ 574,020
Total capital assets not being depreciated/amortized:	316,251	214,507	14,372	57,634	574,020
Capital assets being depreciated:					
Equipment	4,658	-	40	-	4,618
Right-to-use leased equipment	2,863	20	-	-	2,883
Non-internally generated software	4,498	-	-	-	4,498
Internally generated software	10,530	674	-	-	11,204
Subscription-based IT Arrangements	72,310	17,526	12,521	-	77,315
Less accumulated depreciation:					
Equipment	(4,516)	(85)	(40)	-	(4,561)
Right-to-use leased equipment	(316)	(603)	-	-	(919)
Non-internally generated software	(4,498)	-	-	-	(4,498)
Internally generated software	(8,851)	(1,654)	-	-	(10,505)
Subscription-based IT arrangements	(18,231)	(18,454)	(8,029)	-	(28,656)
Total capital assets being depreciated, net	58,447	(2,576)	4,492	-	51,379
Governmental activity capital assets, net	$ 374,698	$ 211,931	$ 18,864	$ 57,634	$ 625,399

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2024 was charged as follows:

Health and social services	$ 20,796

(8) Long-Term Obligations

Changes in Long-Term Obligations
Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2024 were as follows:

	Balance July 1, 2023, as restated	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	$ 11,521	$ 11,500	$ 10,540	$ 12,481	$ 1,312
Lease obligations	2,603	20	558	2,065	588
SBITA obligations	47,452	16,733	21,896	42,289	15,075
Total OPEB liability	320,897	7,622	-	328,519	14,362
Net pension liability	1,009,184	24,897	-	1,034,081	-
Total Governmental Activities	$ 1,391,657	$ 60,772	$ 32,994	$ 1,419,435	$ 31,337

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 net OPEB liabilities will be liquidated through the General Revenue Fund, and the special revenue funds that report wages.

(9) Leases

The Department has entered into one equipment lease as a right-to-use asset lease with a remaining lease term of four years. Although lease terms vary, certain leases are renewable subject to appropriation from 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, 2024, the right-to-use asset under leases are as follows (amount expressed in thousands):

Equipment	$ 2,883
Less: Accumulated amortization	(919)
	$ 1,964

Future minimum commitments for non-cancelable leases as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest
2025	$ 588	$ 97
2026	548	66
2027	578	36
2028	351	6
Total minimum lease payments	$ 2,065	$ 205

(10) Subscription-Based Information Technology Arrangements (SBITAs)

The Department has entered into various SBITAs with remaining contract terms ranging from less than one year to eight years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriation by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options

are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise.

One of the Department's agreements contains a variable subscription payment. The variable payments are not included in the calculation of the subscription liability. The total expenditures for variable payments not previously included in the measurement of the subscription liability during the fiscal year end June 30, 2024 were $45 (amount expressed in thousands).

At June 30, 2024, subscription assets under SBITAs are as follows (amounts expressed in thousands):

Subscription Assets	$	77,315
Less: Accumulated amortization		(28,656)
	$	48,659

Future minimum commitments for non-cancelable SBITAs as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest
2025	$ 15,075	$ 1,616
2026	6,912	1,050
2027	3,433	941
2028	2,884	714
2029	3,091	583
2030-2034	10,894	875
Total minimum SBITA payments	$ 42,289	$ 5,779

(11) Defined Benefit Pension Plan

Plan description. Substantially all 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), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists 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 2 members, except where noted. The SERS issues a separate ACFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

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 for regular employees and 80% for alternative formula employees. 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 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
A member must have a minimum of eight years of service credit and may retire at: • 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). 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. 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. 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.	A member must have a minimum of 10 years of credited service and may retire at: • 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). 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. 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. The calendar year 2023 rate is $123,489. 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.

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 non-covered 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 the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. 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 2024, this amount was $125,774.

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

For fiscal year 2024, 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 2024, the employer contribution rate was 52.657%. The Department's contribution amount for fiscal year 2024 was $43.556 million. In addition, the Department recorded $46.192 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.

Pension liability, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. At June 30, 2024, the Department reported a liability of $1,034.081 million 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, 2023 (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, 2023. As of the current year measurement date of June 30, 2023, the Department's proportion was 3.1240%, which was an increase of .0032% from its proportion measured as of the prior year measurement date of June 30, 2022.

For the year ended June 30, 2024, the Department recognized pension expense of $75.871 million. At June 30, 2024, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,708	$ -
Changes of assumptions	12,865	63,410
Net difference between projected and actual investment earnings on pension plan investments	22,225	-
Changes in proportion	31,301	24,523
Department contributions subsequent to the measurement date	89,747	
Total	**$ 182,846**	**$ 87,933**

$89.748 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 as pension expense as follows (amounts expressed in thousands):

Year ended June 30,		
2025	$	(2,939)
2026		(10,852)
2027		15,309
2028		3,648
Total	**$**	**5,166**

Actuarial methods and assumptions. The total pension liability was determined by an actuarial valuation and measurement date as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Investment Rate of Return: 6.75%, net of pension plan investment expense, including inflation.

Projected salary increases: 2.50% - 7.41%, salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2023 valuation pursuant to an experience study of the period July 2018 – June 2021.

Mortality: 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.

The actuarial assumptions 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.

The long-term expected real rate of return on pension plan investments is 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, 2023, the best estimates of 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%	4.6%
Developed Foreign Equity	13.0%	5.3%
Emerging Market Equity	8.0%	6.2%
Private Equity	9.0%	7.8%
Intermediate Investment Grade Bonds	15.0%	0.2%
Long-term Government Bonds	5.0%	0.6%
TIPS	3.0%	0.2%
High Yield Bonds	2.0%	2.2%
Private Debt	9.0%	5.1%
Emerging Market Debt	0.0%	0.0%
Real Estate	10.0%	5.2%
Infrastructure	3.0%	5.5%
Total	100%	

Discount rate. A discount rate of 6.59% was used to measure the total pension liability as of the measurement date of June 30, 2023 as compared to a discount rate of 6.58% used to measure the total pension liability as of the prior year measurement date of June 30, 2022. The June 30, 2023 single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.86%, 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 plan member 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 2077. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2077, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the net pension liability to changes in the discount rate. The net pension liability for the plan 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):

	1% Decrease 5.59%	Discount Rate 6.59%	1% Increase 7.59%
Department's Proportionate Share of the Net Pension Liability	$ 1,259,533	$ 1,034,081	$ 847,610

Payables to the pension plan. At June 30, 2024, the Department reported a payable of $2.098 million to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

(12) Postemployment 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 11 Defined Benefit Pension Plan. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

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

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

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $13,409.76 ($7,210.56 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $116,622.40 ($6,423.36 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, 2024, was measured as of June 30, 2023, with an actuarial valuation as of June 30, 2022. At June 30, 2024, the Department recorded a liability of $328.519 million 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, 2023. As of the current year measurement date of June 30, 2023, the Department's proportion was 1.9075%, which was an increase of 0.0287% from its proportion measured as of the prior year measurement date of June 30, 2022.

The Department recognized a reduction in OPEB expenses for the year ended June 30, 2024, of $78.870 million. In addition, the Department recorded $7.393 million of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Department employees that were paid from statewide General Revenue Fund appropriations. At June 30, 2024, the Department reported deferred outflows and deferred

inflows of resources, as of the measurement date of June 30, 2024, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	5,711
Changes of assumptions		1,021
Changes in proportion and differences between employer contributions and proportionate share of contributions		72,237
Department contributions subsequent to the measurement date (a)		14,362
Total deferred outflows of resources	$	93,331
Deferred inflows of resources		
Differences between expected and actual experience	$	67,823
Changes of assumptions		239,470
Changes in proportion and differences between employer contributions and proportionate share of contributions		56,046
Total deferred inflows of resources	$	363,339

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):

Year ended June 30,		
2025	$	(110,500)
2026		(92,064)
2027		(65,854)
2028		(16,151)
2029		199
Total	$	(284,370)

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 GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2022, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2022.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
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 2025, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2040.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2025 to 2028, 19.42% from 2029 to 2033, then 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
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 2023 and 2024 are based on actual premiums. Premiums after 2024 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

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2021 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
SERS	July 2018 - June 2021	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	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.

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2022 valuations for Pensions. Thus, for all five plans, the 2022 valuation information for pensions is presented in the FY 2023 ACFR in FN 16. For TRS and SURS, the total pension liability presented in the June 30, 2021, actuarial valuation is based on census data as of June 30, 2020, rolled-forward to the measurement date of June 30, 2022.

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 3.69% at June 30, 2022, and 3.86% at June 30, 2023, was used to measure the total OPEB liability.

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 3.86%, 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 (4.86%) or lower (2.86%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.86%)	Current Single Discount Rate Assumption (3.86%)	1% Increase (4.86%)
Total OPEB liability	$ 364,344	$ 328,519	$ 297,857

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The key trend rates are 8.00% in 2025 decreasing to an ultimate trend rate of 4.25% in 2040.

	1% Decrease**	Current Healthcare Cost Trend Rates Assumption*	1% Increase***
Total OPEB liability	$ 288,307	$ 328,519	$ 378,024

* Current healthcare trend rates - Pre-Medicare per capita costs: 9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate 4.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

** One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 8.63% in 2024, 7.00%in 2025, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 18.42% from 2029 to 2033, 5.08% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2040.

*** One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 10.63% in 2024, 9.00%in 2025, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 20.42% from 2029 to 2033, 7.08% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2040.

(13) Fund Deficits

The General Fund and the following sub-accounts of the General Fund had deficit balances at June 30, 2024 (amounts expressed in thousands):

	Governmental Activities
General Revenue Fund (0001)	$ (795,703)
U of I Hospital Services Fund (0136)	(120,006)
County Provider Trust Fund (0329)	(107,157)
Special Education Medicaid Matching (0355)	(131,724)
Medical Interagency Program Fund (0720)	(5,212)
Drug Rebate Fund (0728)	(665,071)

These deficits are expected to be recovered from future years' State appropriations and federal funds.

(14) Fiduciary Fund Net Position

In fiscal year 2024, a net position balance was reported within the Child Support Enforcement Trust Fund (Fund 0957), a fiduciary fund. In prior years no net position was reported. The change in net position resulted from the passage of Public Act 102-1115 Section 5-36, which amended the Illinois Public Aid Code 305 ILCS 5/4-1.6 by requiring all child support (current, past and future) collected on or after January 1, 2023, to be passed through to the family, and to not be considered in determining the amount of the assistance grant provided to the family. Previously, a portion was held and transferred to the Child Support Administrative Fund (Fund 0757) for administrative purposes.

While the change applies to monies collected on or after January 1, 2023, it did not take effect until July 1, 2024. Prior to this legislative change, these amounts would have been available to transfer to the 0757 fund, and any amounts remaining at the end of the fiscal year would have been recorded as "Due to Other funds." To ensure there is sufficient cash available to issue to the families on July 1, 2024, the Department held collections in the fund until the effective date of the legislation. Once the changes are fully implemented, the Department anticipates the fund to show a zero balance net position again, with all remaining assets being recorded as liabilities at year-end.

(15) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks.

The Department is exposed to various risks of loss related to employee health and dental insurance programs. The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which is partially self-funded. The Illinois Department of Central Management Services administers and reports the Health Insurance Reserve Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

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, 2024.

(16) Commitments and Contingencies

(a) Litigation

A lawsuit existed at June 30, 2024. The plaintiff managed care organization filed an action in the Court of Claims to dispute the Department's Prompt Payment Act interest calculation methodology. The plaintiff contends that the Department should calculate interest based on total capitation rather than at the individual claim level plus pay all interest calculated under $5. The plaintiff is seeking $7.5 million in additional interest payments. The Court of Claims ruled in the Department's favor, finding that the Department employed the proper methodology for calculating the interest and remanding the matter for hearing as to whether the interest was properly calculated using the Department's methodology. No liability was reported in the financial statements.

A lawsuit existed at June 30, 2024. The plaintiff hospital is alleging that the Department is in violation of federal law due to purported payment delays from Medicaid Managed Care Organizations (MCO's) to the hospital. The plaintiff's requested relief includes an injunction requiring the Department to make payments owed by MCO's and termination of the Medicaid MCO contracts. The district court granted the Department's motion to dismiss, and the plaintiff appealed. The appellate court reversed the dismissal, and subsequently denied a petition for rehearing, without making any findings on the merits of the plaintiff's claims and allowed the case to proceed. The Department filed a petition for certiorari with the United States Supreme Court seeking review of the appellate court's decision. The Supreme Court granted the Department's petition, vacated the appellate court's decision, and remanded the case to the appellate court for reconsideration in light of a recent Supreme Court decision. On April 25, 2024, the appellate court again reversed the dismissal, without making any findings on the merits of the plaintiff's claims. The Department has filed a petition for

rehearing in the appellate court. The district court stayed the litigation and referred the case to a magistrate judge for settlement conference proceedings. On July 24, 2024, the appellate court granted the Department's petition for rehearing *en banc* and vacated the appellate court's opinion of April 25, 2024. The case is awaiting further proceedings and a decision on rehearing. On March 14, 2025, the appellate court issued its decision in the Department's favor and affirming the district court's previous dismissal of the case. The plaintiff petitioned the Supreme Court for review and the Supreme Court denied certiorari. The case is dismissed. No liability was reported in the financial statements.

(b) Noncompliance with Federal Regulations

U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services (Federal CMS) conducted its Payment Error Rate Measurement (PERM) program to determine improper payment rates for Illinois for the reporting year 2022 (RY22) for the Medicaid and the Children's Health Insurance Program (CHIP). On November 15, 2022, the Department received notification from Federal CMS of its RY22 PERM results. The improper rate estimate for Medicaid was reduced from 35.37% to 10.44% and from 34.15% to 28.58% for CHIP. With respect to other errors (medical records and data processing) identified in the report, the Department has been informed of federal recoveries of $89,137. Federal CMS also noted that had the Department not met the good faith effort requirement established by section 1903(u) of the Social Security Act (i.e., complying with the Medicaid Eligibility Quality Control and corrective action plan requirements outlined in 82 Federal Register 31158), the total extrapolated dollars would have been available for disallowance for the Medicaid and CHIP programs. The RY22 PERM Corrective Action Plan (CAP) was finalized and submitted to Federal CMS in February 2023. The Department received notice of CAP acceptance on July 14, 2023. No liability was reported within the financial statements.

(c) Requested Return of Federal Financial Participation (FFP)

In December 2018, the Department received a total of four Demand Letters from Federal CMS for the return of FFP related to certain optical service/supply, inpatient psychiatric, and Disproportionate Share Hospital (DSH) payments. The total dollar value of the FFP identified in those letters was approximately $121.5 million ($121.054 million in Disallowance Letters and $488 thousand without a Disallowance Letter). The Demand Letters were related to services that go back as far as the year 2000 in some instances. The Demand Letters did not represent formal disallowances of the identified FFP. The Department notified Federal CMS in writing that it did not plan to return the FFP and strongly disagreed with the assertions made within the Demand Letters. On September 27, 2019, Federal CMS issued three Disallowance Letters related to the inpatient psychiatric and DSH payments.

The Department appealed the three disallowances to the U.S. Department of Health and Human Services Departmental Appeals Board (DAB). The $121.054 million was offset by the federal government via adjustment to the federal grant award and subsequently adjusted on the federal claim for December 31, 2019, pending the outcome of the appeal. Per agreement of the parties, the three appeals were consolidated and stayed pending the results of two other similar disallowance cases under consideration by the DAB involving other states. After the DAB ruled on the similar appeals brought by other states, the Department's three appeals were briefed and are awaiting a determination by the DAB. On June 23, 2021, the Department received a disallowance letter related to optical supplies and services. The $488 thousand was returned to the federal government with the December 31, 2021, federal claim. The Department appealed the optical services disallowance to the DAB and the appeal is pending determination at the DAB. No receivable was reported within the financial statements.

(d) Federal Grants

The Department receives other federal grants that 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. At June 30, 2024, other than identified above, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be

conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(e) Developmental Disabilities (DD) Waiver Backlog

In January 2023, it was determined there was an information technology system error at the Illinois Department of Human Services (DHS) causing a backlog in submission of data to the Department related to DD waiver services. DD waiver expenditures are remitted by DHS to the Department for federal claiming purposes. It was determined the backlog extended back through services in November 2020. Approximately $78 million in payments to providers were outside of the two-year claiming period. The Department sent a letter on December 22, 2023, requesting an exception to the two-year claiming period from Federal CMS for these expenditures. This request was approved by the Department of Health and Human Services (DHHS) on June 27, 2024. A receivable was reported in the financial statements for this activity.

(f) Provider Bankruptcy

A group of providers with multiple nursing care facilities is currently undergoing Chapter 11 bankruptcy. The entities involved have a total outstanding debt of $61.2 million owed to the Department. The Department deemed the full amount to be uncollectible, however, the Department has received approximately $9.5 million to date.

(17) 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 2024, 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 2024 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 2024 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2024 , 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, 2024 arising from securities lending agreements to the various funds of the State. The total allocated to the Department at June 30, 2024 was $225.882 million.

(18) Coronavirus Pandemic Federal Assistance Distributions

The coronavirus pandemic, declared a state of emergency in 2020, continued to impact the Department. During fiscal year 2024, the General Assembly appropriated $79.767 million to the Department for distribution to Medicaid providers and other pandemic related expenditures for programs made available through the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) (Assistance Listing Number 21.027). These programs were created in response to receiving CSLFRF funding, but for fiscal year 2024, were funded through a combination of both State and Federal funding. The Department expended $31.547 million of the appropriated funds, net of provider returns, to cover costs related to the COVID-19 Public Health Emergency. The pass-through Federal financial assistance was made available through the U.S. Department of the Treasury, the federal awarding agency. Federal funding for this program was received by the Illinois Emergency Management Agency, so the receipts are not reported on the Department's financial statements. The CSLFRF program allows spending through December 31, 2027. As the CSLFRF program is ongoing, the Department anticipates continued impact to its financial position.

In fiscal year 2022, a plan was submitted to the federal government for Home and Community Based Services (HCBS) funding. The plan allows for a 10% enhanced federal match on eligible records with a claim paid date April 1, 2021 through March 31, 2022. The resulting enhanced federal revenue is expected to be utilized for spending related to fiscal years 2022 – 2025 to enhance HCBS. As of June 30, 2024, $223.8 million of spending related to the 10% enhanced rate was incurred, and the amount was reported as a federal receivable at June 30, 2024. Accordingly, the $223.8 million was reported as federal revenue within the financial statements. The Department of Human Services and the Department on Aging also incurred HCBS spending, and $141.7 million was reported as a liability within the financial statements for their share of reimbursable expenditures.

The Department continues to monitor and evaluate the pandemic situation to determine any additional impacts, both operationally and financially.

(19) Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the Department identified a pharmacy system error that impacted invoices for drug claims identified as Medicare Part D for the Medicare Medicaid Alignment Initiative (MMAI). These claims, submitted by Managed Care Organizations (MCOs) from 2019 to 2024, were not excluded from data ultimately transmitted to facilitate drug rebate invoicing. Inclusion of these claims resulted in the Department invoicing pharmaceutical manufacturers for rebate payments for Medicare Part D drugs that were ineligible for such rebates. For financial reporting purposes, drug rebates are reported as a reduction in expenditures. Therefore, expenditures were understated by $1,072,629 for the fiscal years 2019 – 2023. Due to the effect of correcting the error, restatement of beginning fund balance, beginning net position, receivables, liabilities and expenditures as of June 30, 2023, are shown in the table below included at Note 20.

There were corrections of errors in previously issued financial statements for SBITAs and intangible assets, restated for at June 30, 2023, as detailed in Note 20.

(20) Restatement

(a) Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, as detailed in Note 19, an error correction resulted in adjustments to and restatements of beginning net position and General Fund fund balance, as shown in the table below.

(b) Leases and Subscription-Based Information Technology Arrangements

The Department's financial statements and footnotes have been restated as of June 30, 2023 as a result of the correction to the leases and SBITA asset and obligation balances. The correction resulted in a restatement to the Department's beginning net position as well as a restatement to certain footnote tables. Note 7, Capital

Assets and Note 8, Long-Term Obligations were restated at June 30, 2023 as a result of the correction. Restatement of beginning capital assets and long-term obligations were recognized as shown in the table below.

(c) Administering Agency Fund Change

The Department's financial statements have been restated as of June 30, 2023 as a result of the transfer of the HFS Technology Initiative Fund (Fund 0211) from the Department of Human Services (DHS) per (305 ILCS 5/12-10.10). Restatement of beginning net position and the Nonmajor Governmental fund balance as of June 30, 2023 were recognized as shown in the table below.

(d) Intangible Asset Corrections

The Department's financial statements have been restated as of June 30, 2023 as a result of a review of intangible asset activity conducted after year-end. As part of this process, management identified errors in the classification and reporting of intangible assets in previously issued financial statements. The corrections resulted in a restatement to the Department's beginning net position as well as a restatement to the footnote table included in Note 7, Capital Assets, as shown below.

	Governmental Activities Net Position (Deficit)	Note 7 - Capital Assets	Note 8 - Long-Term Obligations	General Fund Balance	Nonmajor Fund Balance
June 30, 2023, as previously reported	$ 864,084	$ 304,179	$1,381,009	$ (386,206)	$ 22,302
(a) Error Correction – Drug Rebates	(1,072,629)	-	-	(1,072,629)	-
(b) Lease and SBITA Corrections					
Capital assets being depreciated	28,278	28,278	-	-	-
Accumulated depreciation	(10,528)	(10,528)	-	-	-
Lease liability	(133)	-	133	-	-
SBITA liability	(10,515)	-	10,515	-	-
(c) HFS Technology Initiative Fund Administering Agency Change	5,290	-	-	-	5,290
(d) Intangible Asset Corrections					
Capital assets not being depreciated	(53,336)	(53,336)	-	-	-
Accumulated depreciation	(567)	(567)	-	-	-
	$ (143,384)	$ 374,698	$ 1,391,657	$ (1,458,835)	$ 27,592

(21) Subsequent Event

(a) Medicare Part D Drug Rebates

As detailed in Note 19, the Department identified an error impacting ineligible drug rebate collections. Federal regulations require that the Department reimburse the federal government for a portion of state drug rebate receipts at the federal match rate in place at the time of the original drug expenditure. The Department returned the federal portion of drug rebate receipts for this activity as an offset to the federal Medicaid match revenue during fiscal year 2019 – fiscal year 2024. The Department requested federal reimbursement for the drug rebate offset related to this activity and received approval on June 6th, 2025. No receivable has been reported within the financial statements as approval was not received until after June 30, 2024.

(b) FEMA Medical Staffing Reimbursement

During the COVID-19 pandemic, a joint program (COVID-19 Surge Staffing Program) between the Illinois Department of Healthcare and Family Services, the Illinois Department of Public Health, and the Illinois Emergency Management Agency was implemented to provide supplemental staff to acute inpatient care facilities affected by high regional COVID-19 rates, such that they could expand their bed capacity, thus allowing them to take increased numbers of COVID-19 patients. It also provided staffing to reinforce larger institutions who typically received more acutely ill patients and transfers.

During fiscal year 2022, the Department became aware of an opportunity to seek reimbursement through the Illinois Emergency Management Agency from the Public Assistance (PA) Program under the FEMA-4489-DR-IL disaster declaration. Prior to fiscal year 2024, the Department submitted a claim for $34.115 million, which was not approved or obligated by FEMA by June 30, 2024. The claim amount was modified during FEMA review due to the removal of quarantine invoices. On May 29, 2025, the Department received approval and payment via the Illinois Emergency Management Agency for $34.024 million.

State of Illinois
Department of Healthcare and Family Services

Combining Schedule of Accounts - General Fund

June 30, 2024 (Expressed in Thousands)

	General Revenue 0001	U of I Hospital Services 0136	State Coronavirus Urgent Remediation Emergency 0324	County Provider Trust 0329	Care Provider Fund for Persons with a Developmental Disability 0344	Long-Term Care Provider 0345	Hospital Provider 0346	Special Education Medicaid Matching 0355	Trauma Center 0397	Public Aid Recoveries Trust 0421
ASSETS										
Unexpended appropriations	$ 78,018	$ -	$ 3,823	$ -	$ -	$ -	$ -	$ -	$ 447	$ -
Cash equity with State Treasurer	88	35	-	4,045	-	32,052	175,769	-	-	197,358
Cash and cash equivalents	3,241	-	-	-	-	-	-	-	-	-
Securities lending collateral equity with State Treasurer	-	469	-	8,058	-	17,501	25,451	-	-	-
Due from other government - federal	541,644	91,262	-	39,246	6,088	41,575	47,748	171,198	253	45,382
Due from other government - local	-	-	835	111,036	-	-	-	12,281	-	-
Taxes receivable, net	-	-	-	-	613	2,567	251,601	-	-	-
Other receivables, net	55,121	9	43,625	156	-	4,886	494	-	-	1,219,176
Notes receivables	-	-	-	-	-	-	14,825	-	-	-
Due from other Department funds	82,048	42,555	-	-	-	257	-	-	-	-
Due from other State funds	39	-	-	-	-	-	-	-	-	-
Due from other State fiduciary funds	-	-	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	49,445	249	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	385
Total assets	$ 760,199	$ 183,775	$ 48,532	$ 162,541	$ 6,701	$ 98,838	$ 515,888	$ 183,479	$ 700	$ 1,462,301
LIABILITIES										
Accounts payable and accrued liabilities	$ 888,734	$ -	$ 3,725	$ 110	$ -	$ 70,970	$ 39,217	$ 756	$ 409	$ 1,281,429
Due to other government - federal	224,034	-	-	8	-	2	-	-	-	91
Due to other government - local	24,619	-	98	154,270	-	1,220	897	182,723	38	7,796
Due to other Department funds	43,342	-	-	-	-	-	-	-	-	105,153
Due to other Department fiduciary funds	541	-	-	-	-	-	-	-	-	-
Due to other State funds	4,298	-	44,709	37	-	17	-	-	-	3,132
Due to other State fiduciary funds	-	-	-	58	-	18	-	-	-	638
Due to State of Illinois component units	14,526	176,692	-	-	-	-	-	-	-	529
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Obligations under securities lending of State Treasurer	-	469	-	8,058	-	17,501	25,451	-	-	-
Total liabilities	1,200,094	177,161	48,532	162,541	-	89,728	65,565	183,479	447	1,398,768
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - Federal operating grants	355,808	77,175	-	12,782	631	3,196	26,474	131,724	25	23,540
Unavailable revenue - License and fees	-	-	-	-	-	-	-	-	-	-
Unavailable revenue - Medical provider assessment tax	-	-	-	-	87	1,180	247,405	-	-	-
Unavailable revenue - Other operating grants	-	49,445	-	94,375	-	-	-	-	-	-
Unavailable revenue - Other charges for services	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	355,808	126,620	-	107,157	718	4,376	273,879	131,724	25	23,540
FUND BALANCES (DEFICITS)										
Nonspendable for inventories	-	-	-	-	-	-	-	-	-	385
Restricted for health and social services	-	-	-	-	-	-	-	-	-	-
Committed for health and social services	-	-	-	-	5,983	4,734	176,444	-	228	39,608
Unassigned	(795,703)	(120,006)	-	(107,157)	-	-	-	(131,724)	-	-
Total fund balances (deficits)	(795,703)	(120,006)	-	(107,157)	5,983	4,734	176,444	(131,724)	228	39,993
Total liabilities, deferred inflows of resources, and fund balances (deficits)	$ 760,199	$ 183,775	$ 48,532	$ 162,541	$ 6,701	$ 98,838	$ 515,888	$ 183,479	$ 700	$ 1,462,301

(Continued)

State of Illinois
Department of Healthcare and Family Services

Combining Schedule of Accounts - General Fund

June 30, 2024 (Expressed in Thousands)

	Medicaid Technical Assistance Center 0448	Electronic Health Record Incentive 0503	Juvenile Rehab Services Medicaid Matching 0575	Health Information Exchange 0606	Medical Interagency Program 0720	Drug Rebate 0728	Medicaid Buy-in Program Revolving 0740	Healthcare Provider Relief 0793	Medical Special Purposes Trust 0808	Eliminations	Total
ASSETS											
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 82,288
Cash equity with State Treasurer	1,044	-	-	-	3	172,936	766	1,141,611	61,124	-	1,786,831
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	3,241
Securities lending collateral equity with State Treasurer	206	-	-	-	1	36,440	145	136,011	-	-	224,282
Due from other government - federal	-	-	-	-	4,520	12,056	-	1,222,842	-	-	2,223,814
Due from other government - local	-	-	-	-	-	-	-	236,654	-	-	360,806
Taxes receivable, net	-	-	-	-	-	-	-	2,615	-	-	257,396
Other receivables, net	4	-	-	-	-	707	23	106,046	-	-	1,430,247
Notes receivables	-	-	-	-	-	-	-	168,465	-		183,290
Due from other Department funds	-	-	-	-	21	104,896	-	-	-	(229,777)	-
Due from other State funds	-	-	-	-	-	-	-	372,090	-	-	372,129
Due from other State fiduciary funds	-	-	-	-	-	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	692	-	-	-	-	-	50,386
Inventories	-	-	-	-	-	-	-	-	-		385
Total assets	$ 1,254	$ -	$ -	$ -	$ 5,237	$ 327,035	$ 934	$ 3,386,334	$ 61,124	$ (229,777)	$ 6,975,095
LIABILITIES											
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -	$ 6,118	$ 17	$ 332,818	$ -	$ -	$ 2,624,303
Due to other government - federal	-	-	-	-	-	935,838	1	-	-	-	1,159,974
Due to other government - local	-	-	-	-	-	1,502	-	51,433	-	-	424,596
Due to other Department funds	-	-	-	-	-	-	-	82,069	-	(229,777)	787
Due to other Department fiduciary funds	-	-	-	-	-	-	-	-	-	-	541
Due to other State funds	-	-	-	-	21	-	5	144,450	-	-	196,669
Due to other State fiduciary funds	-	-	-	-	-	-	9	-	-	-	723
Due to State of Illinois component units	-	-	-	-	5,215	152	-	9,776	-	-	206,890
Unearned revenue	-	-	-	-	-	-	4	87,963	-	-	87,967
Obligations under securities lending of State Treasurer	206	-	-	-	1	36,440	145	136,011	-	-	224,282
Total liabilities	206	-	-	-	5,237	980,050	181	844,520	-	(229,777)	4,926,732
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - Federal operating grants	-	-	-	-	4,520	12,056	-	693,557	-	-	1,341,488
Unavailable revenue - License and fees	-	-	-	-	-	-	12	-	-	-	12
Unavailable revenue - Medical provider assessment tax	-	-	-	-	-	-	-	-	-	-	248,672
Unavailable revenue - Other operating grants	-	-	-	-	692	-	-	-	-	-	144,512
Unavailable revenue - Other charges for services	-	-	-	-	-	-	-	236,140	-	-	236,140
Total deferred inflows of resources	-	-	-	-	5,212	12,056	12	929,697	-	-	1,970,824
FUND BALANCES (DEFICITS)											
Nonspendable for inventories	-	-	-	-	-	-	-	-	-	-	385
Restricted for health and social services	1,048	-	-	-	-	-	-	-	-	-	1,048
Committed for health and social services	-	-	-	-	-	-	741	1,612,117	61,124	-	1,900,979
Unassigned	-	-	-	-	(5,212)	(665,071)	-	-	-	-	(1,824,873)
Total fund balances (deficits)	1,048	-	-	-	(5,212)	(665,071)	741	1,612,117	61,124	-	77,539
Total liabilities, deferred inflows of resources, and fund balances (deficits)	$ 1,254	$ -	$ -	$ -	$ 5,237	$ 327,035	$ 934	$ 3,386,334	$ 61,124	$ (229,777)	$ 6,975,095

State of Illinois
Department of Healthcare and Family Services

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2024
(Expressed in Thousands)

	General Revenue 0001	U of I Hospital Services 0136	State Coronavirus Urgent Remediation Emergency 0324	County Provider Trust 0329	Care Provider Fund for Persons with a Developmental Disability 0344	Long-Term Care Provider 0345	Hospital Provider 0346
REVENUES							
Operating grants - federal, net	$ 5,281,383	$ 149,616	$ (25,980)	$ 1,930,839	$ 22,677	$ 370,769	$ 2,880,593
Other operating grants	243,700	41,782	-	819,489	-	-	-
Licenses and fees	-	-	-	-	-	-	-
Other charges for services, net	-	-	-	-	-	-	-
Interest and other investment income	-	474	-	1,423	-	5,873	9,721
Medical provider assessment tax	-	-	-	315,957	21,825	303,586	1,960,149
Other taxes, net	-	-	-	-	-	30,370	(1,662)
Other	1,355	-	-	-	-	-	-
Total revenues	5,526,438	191,872	(25,980)	3,067,708	44,502	710,598	4,848,801
EXPENDITURES							
Health and social services	8,274,118	244,784	5,361	2,957,791	-	804,417	4,455,360
Debt service principal	1,660	-	-	-	-	-	-
Debt service interest	119	-	-	-	-	-	-
Capital outlays	28,791	-	-	-	-	217	-
Total expenditures	8,304,688	244,784	5,361	2,957,791	-	804,634	4,455,360
Excess (deficiency) of revenues over (under) expenditures	(2,778,250)	(52,912)	(31,341)	109,917	44,502	(94,036)	393,441
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	10,076,063	-	79,767	-	1,300	-	-
Lapsed appropriations	334,944	-	(48,220)	-	(1,300)	-	-
Receipts collected and transmitted to State Treasury	(4,576,866)	-	(206)	-	(39,110)	-	-
Amount of SAMS transfers-out	55,000	-	-	-	-	-	-
Transfers-in	-	59,470	-	-	-	30,000	-
Transfers-out	(2,755,069)	-	-	-	-	(20,000)	(415,000)
Lease financing	747	-	-	-	-	-	-
Net other sources (uses) of financial resources	3,134,819	59,470	31,341	-	(39,110)	10,000	(415,000)
Net change in fund balances	356,569	6,558	-	109,917	5,392	(84,036)	(21,559)
Fund balances (deficits), July 1, 2023, as restated	(1,152,272)	(126,564)	-	(217,074)	591	88,770	198,003
Restatement of beginning fund balances (deficits)	-	-	-	-	-	-	-
Fund balances (deficits), July 1, 2023, as restated	(1,152,272)	(126,564)	-	(217,074)	591	88,770	198,003
Decrease for change in inventories	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ (795,703)	$ (120,006)	$ -	$ (107,157)	$ 5,983	$ 4,734	$ 176,444

(Continued)

State of Illinois
Department of Healthcare and Family Services

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2024
(Expressed in Thousands)

	Special Education Medicaid Matching 0355	Trauma Center 0397	Public Aid Recoveries Trust 0421	Medicaid Technical Assistance Center 0448	Electronic Health Record Incentive 0503	Juvenile Rehab Services Medicaid Matching 0575	Health Information Exchange 0606
REVENUES							
Operating grants - federal, net	$ 229,513	$ 1,039	$ 81,968	$ -	$ -	$ -	$ -
Other operating grants	-	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-	-
Other charges for services, net	-	-	84,540	-	-	-	-
Interest and other investment income	-	-	-	44	-	-	1
Medical provider assessment tax	-	-	-	-	-	-	-
Other taxes, net	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	229,513	1,039	166,508	44	-	-	1
EXPENDITURES							
Health and social services	155,180	2,020	93,919	-	-	-	-
Debt service principal	-	-	15,249	-	-	-	-
Debt service interest	-	-	1,208	-	-	-	-
Capital outlays	-	-	91,983	-	-	-	-
Total expenditures	155,180	2,020	202,359	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	74,333	(981)	(35,851)	44	-	-	1
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	10,210	-	-	-	-	-
Lapsed appropriations	-	(8,190)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(1,209)	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfers-in	-	-	14,899	500	-	-	-
Transfers-out	-	-	-	-	-	-	(330)
Lease financing	-	-	9,082	-	-	-	-
Net other sources (uses) of financial resources	-	811	23,981	500	-	-	(330)
Net change in fund balances	74,333	(170)	(11,870)	544	-	-	(329)
Fund balances (deficits), July 1, 2023, as restated	(206,057)	398	51,936	504	-	-	329
Restatement of beginning fund balances (deficits)	-	-	-	-	-	-	-
Fund balances (deficits), July 1, 2023, as restated	(206,057)	398	51,936	504	-	-	329
Decrease for change in inventories	-	-	(73)	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ (131,724)	$ 228	$ 39,993	$ 1,048	$ -	$ -	$ -

(Continued)

State of Illinois
Department of Healthcare and Family Services

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2024
(Expressed in Thousands)

	Medical Interagency Program 0720	Drug Rebate 0728	Medicaid Buy-in Program Revolving 0740	Healthcare Provider Relief 0793	Medical Special Purposes Trust 0808	Eliminations	Total
REVENUES							
Operating grants - federal, net	$ 4,440	$ -	$ 256	$ 10,236,402	$ 5	$ -	$ 21,163,520
Other operating grants	1,292	-	-	-	-	-	1,106,263
Licenses and fees	-	-	44	-	-	-	44
Other charges for services, net	-	-	-	321,026	-	(84,540)	321,026
Interest and other investment income	3	5,822	37	15,902	-	-	39,300
Medical provider assessment tax	-	-	-	1,213,486	-	-	3,815,003
Other taxes, net	-	-	-	252,521	-	-	281,229
Other	-	-	-	23,779	62	-	25,196
Total revenues	5,735	5,822	337	12,063,116	67	(84,540)	26,751,581
EXPENDITURES							
Health and social services	5,645	323,480	542	13,549,106	69	(84,540)	30,787,252
Debt service principal	-	-	-	1,067	-	-	17,976
Debt service interest	-	-	-	288	-	-	1,615
Capital outlays	-	-	9	82,690	-	-	203,690
Total expenditures	5,645	323,480	551	13,633,151	69	(84,540)	31,010,533
Excess (deficiency) of revenues over (under) expenditures	90	(317,658)	(214)	(1,570,035)	(2)	-	(4,258,952)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	-	-	-	-	-	10,167,340
Lapsed appropriations	-	-	-	-	-	-	277,234
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-	(4,617,391)
Amount of SAMS transfers-out	-	-	-	-	-	-	55,000
Transfers-in	-	-	-	2,922,000	60,000	(3,086,869)	-
Transfers-out	-	-	-	-	-	3,086,869	(103,530)
Lease financing	-	-	-	6,917	-	-	16,746
Net other sources (uses) of financial resources	-	-	-	2,928,917	60,000	-	5,795,399
Net change in fund balances	90	(317,658)	(214)	1,358,882	59,998	-	1,536,447
Fund balances (deficits), July 1, 2023, as restated	(5,302)	725,216	955	253,235	1,126	-	(386,206)
Restatement of beginning fund balances (deficits)	-	(1,072,629)	-	-	-	-	(1,072,629)
Fund balances (deficits), July 1, 2023, as restated	(5,302)	(347,413)	955	253,235	1,126	-	(1,458,835)
Decrease for change in inventories	-	-	-	-	-	-	(73)
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ (5,212)	$ (665,071)	$ 741	$ 1,612,117	$ 61,124	$ -	$ 77,539

State of Illinois

Department of Healthcare and Family Services

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2024 (Expressed in Thousands)

	Special Revenue					
	HFS Technology Initiative 0211	Provider Inquiry Trust 0341	Money Follows the Person Budget Transfer 0522	Tobacco Settlement Recovery 0733	Child Support Administrative 0757	Total
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ 37,986	$ -	$ 37,986
Cash equity with State Treasurer	2,637	404	5,256	-	45,600	53,897
Securities lending collateral equity with State Treasurer	559	-	1,041	-	-	1,600
Due from other government - federal	1,490	-	387	70,597	18,727	91,201
Other receivables, net	11	48	20	-	6	85
Due from other Department funds	787	-	-	-	-	787
Due from other State funds	1,661	-	-	-	-	1,661
Total assets	$ 7,145	$ 452	$ 6,704	$ 108,583	$ 64,333	$ 187,217
LIABILITIES						
Accounts payable and accrued liabilities	$ 1,209	$ -	$ 11	$ 15,821	$ 6,581	$ 23,622
Due to other government - federal	1	-	1	-	192	194
Due to other government - local	-	-	-	22,097	4,502	26,599
Due to other State funds	2	-	2	-	2,561	2,565
Due to other State fiduciary funds	6	-	6	-	1,376	1,388
Due to State of Illinois component units	-	-	110	69	-	179
Obligations under securities lending of State Treasurer	559	-	1,041	-	-	1,600
Total liabilities	1,777	-	1,171	37,987	15,212	56,147
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - Federal operating grants	738	-	110	7,988	12,758	21,594
Unavailable revenue - License and fees	-	24	-	-	-	24
Unavailable revenue - Other revenues	-	-	-	-	6	6
Total deferred inflows of resources	738	24	110	7,988	12,764	21,624
FUND BALANCES						
Committed for health and social services	4,630	428	5,423	62,608	36,357	109,446
Total fund balances	4,630	428	5,423	62,608	36,357	109,446
Total liabilities, deferred inflows of resources, and fund balances	$ 7,145	$ 452	$ 6,704	$ 108,583	$ 64,333	$ 187,217

State of Illinois

Department of Healthcare and Family Services

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

For the Year Ended June 30, 2024 (Expressed in Thousands)

	Special Revenue					
	HFS Technology Initiative 0211	Provider Inquiry Trust 0341	Money Follows the Person Budget Transfer 0522	Tobacco Settlement Recovery 0733	Child Support Administrative 0757	Total
REVENUES						
Operating grants - federal, net	$ 5,493	$ -	$ 641	$ 292,212	$ 131,621	$ 429,967
License and fees	-	147	-	-	-	147
Other charges for services, net	-	-	-	-	500	500
Interest and other investment income	171	-	240	-	-	411
Total revenues	5,664	147	881	292,212	132,121	431,025
EXPENDITURES						
Health and social services	6,324	-	787	586,571	149,484	743,166
Debt service principal	-	-	-	-	4,478	4,478
Debt service interest	-	-	-	-	443	443
Capital outlays	-	-	-	-	14,665	14,665
Total expenditures	6,324	-	787	586,571	169,070	762,752
Excess (deficiency) of revenues over (under) expenditures	(660)	147	94	(294,359)	(36,949)	(331,727)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	590,010	-	590,010
Lapsed appropriations	-	-	-	(3,430)	-	(3,430)
Receipts collected and transmitted to State Treasury	-	-	-	(236,206)	-	(236,206)
Transfers-in	-	-	-	-	63,200	63,200
Lease financing	-	-	-	-	7	7
Net other sources (uses) of financial resources	-	-	-	350,374	63,207	413,581
Net change in fund balances	(660)	147	94	56,015	26,258	81,854
Fund balances (deficits), July 1, 2023	-	281	5,329	6,593	10,099	22,302
Restatement of beginning fund balances (deficits)	5,290	-	-	-	-	5,290
Fund balances, July 1, 2023, as restated	5,290	281	5,329	6,593	10,099	27,592
FUND BALANCES, JUNE 30, 2024	$ 4,630	$ 428	$ 5,423	$ 62,608	$ 36,357	$ 109,446

State of Illinois

Department of Healthcare and Family Services

Combining Statement of Fiduciary Net Position - Custodial Funds

June 30, 2024 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
ASSETS			
Cash equity with State Treasurer	$ 45,581	$ -	$ 45,581
Cash and cash equivalents	255	1,382	1,637
Other receivables, net	165,737	15	165,752
Due from other Department funds	541	-	541
Total assets	212,114	1,397	213,511
LIABILITIES			
Accounts payable and accrued liabilities	182,949	1,397	184,346
Total liabilities	182,949	1,397	184,346
NET POSITION			
Restricted net position	29,165	-	29,165
Total net position	$ 29,165	$ -	$ 29,165

State of Illinois

Department of Healthcare and Family Services

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

For the Year Ended June 30, 2024 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
Additions			
Custodial fund deposits received	$ 143,583	$ 892,565	$ 1,036,148
Total additions	143,583	892,565	1,036,148
Deductions			
Custodial funds disbursed	125,850	892,565	1,018,415
Total deductions	125,850	892,565	1,018,415
Net increase (decrease) in fiduciary net position	17,733	-	17,733
Net position, July 1, 2023	11,432	-	11,432
Net position, June 30, 2024	$ 29,165	$ -	$ 29,165

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INDEPENDENT AUDITOR'S 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*

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 State of Illinois, Department of Healthcare and Family Services (Department), as of and for the year ended June 30, 2024, 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 January 23, 2026.

Report on Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Department's 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 second 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 2024-001 through 2024-008 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2024-003 through 2024-005.

Department's Responses to the 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 subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses to items 2024-001 through 2024-005 are described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses were not subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Restricted Use of this 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, the Department's management, and the Department of Human Services' management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 23, 2026

2024-001. **FINDING** (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 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.

In addition to the conditions noted below, related IES issues over disaster recovery controls are noted in Finding Code No. 2024-002.

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 (2024) 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 a security breach related to the IES system in August 2023.

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

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 stated that migration for secure user access was not completed until September 2024. Also, the State had not migrated to the IES Technical Refresh environments until November 2024.

Findings over the IES Environment 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 maintain adequate internal controls over the security of the IES application led to a security breach and increases the risk IES may be exposed to further malicious attacks, security breaches, and unauthorized access to recipients' personal information. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-001, 2021-002, 2020-003, 2020-004, 2019-004, 2018-007, 2017-009)

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 (2024) report to the Federal CMS.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will follow the technical lead of the Department of Human Services on this recommendation. The Departments will collaborate on all aspects of IES access and security to reduce threats identified in the Plan of Actions and Milestones (2024) report to the Federal CMS.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Department of Human Services (DHS) accepts the recommendation. DHS implemented the IES Technical Refresh (TR) and Multi-Factor Authentication (MFA) projects, as planned, in FY25, which resolved security weaknesses and closed out aged Plan of Action and Milestone findings. DHS also worked with the Department of Innovation and Technology on documenting backout instructions (i.e., the ability to restore the system to its pre-changes state) with all IES infrastructure changes.

2024-002. **FINDING** (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 2024.

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 delayed completion of the Disaster Recovery Plan and conducting recovery testing for IES was due to IES migration to the Technical Refresh environments not being completed until November 2024.

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. (Finding Code No. 2024-002, 2023-002, 2022-002, 2021-003, 2020-005, 2019-005)

RECOMMENDATION

We recommend the Departments work with DoIT to consider the resources necessary 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 HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will follow the technical lead of the Department of Human Services on this recommendation and provide assistance and support as required or requested. The Departments and DoIT will work together to identify a contingency plan in the event of reduced capacity due to disasters and enhance the existing Disaster Recovery Plan per the recommendation. The Departments will also collaborate to fully implement disaster recovery policies and procedures and test disaster recovery scenarios regularly.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Department of Human Services (DHS) accepts the recommendation. In FY25, DHS worked with IES application stakeholders, including DoIT, to update the Information System Contingency Plans for the Application for Benefits Eligibility (ABE) and IES in the DoIT Bureau of Continuity Management (BCM) portal. The plans document the recovery control requirements of the finding. A successful failover test exercise of the IES contingency plan and playbook was completed in FY25 with a second failover test targeted for early 2026. The Department will work toward testing and updating the IES contingency plans annually.

2024-003. **FINDING** (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 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 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. During testing, we noted two applications (7%) were incorrectly included in the new application population provided by the Departments. Due to this limitation, we were unable to conclude the Departments' population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08).

Even given the population limitations noted above which hindered our ability to conclude whether the selected sample was representative of the population as a whole, in 13 of the 60 cases tested (22%), we noted exceptions. Specifically, we noted:

- During new applications testing of 30 samples:
  - Two new applications for food benefits (SNAP and State) (7%) tested did not have the certification completed timely. Certifications were 122 and 661 days late.
  - One new application for medical benefits (3%) tested did not have the certification completed timely. Certification was 66 days late.
  - Three new applications for Cash benefits (10%) tested did not have the certification completed timely. Certifications were one, 102, and 104 days late.
  - Five new applications for medical benefits (17%) tested did not have supporting documentation and/or did not have sufficient supporting documentation related to the applicant's income reported.
- During redetermination testing of 30 samples:
  - One redetermination for SNAP benefits (3%) tested had a different calculated income than what the paystub indicated, with no impact to the benefit provided.
  - One redetermination for SNAP benefits (3%) tested did not have the certification completed timely. Certification was 29 days late.

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.

The Illinois Administrative Code, Title 89 Section 110.20, *Time Limitations On the Disposition Of An Application*, requires the Departments to determine the eligibility of applications no later than 60 calendar days for applicants seeking medical assistance on the basis of having a disability and 45 calendar days for all other applicants.

Additionally, 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. (Finding Code No. 2024-003, 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 HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will continue to work with the Department of Human Services (DHS) in addressing timely certification of medical and collection/retention of eligibility documents. HFS Division of Medical Eligibility has collaborated with DHS to institute the first "Medical Annual Accuracy Training."

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Department of Human Services (DHS) accepts the recommendation. DHS, in conjunction with the Department of Healthcare and Family Services (HFS) and the third-party vendor, have implemented and are continuing to refine monitoring dashboards. In addition, DHS is in the process of implementing further, systematic control flags in the system.

2024-004. **FINDING** (IES backlog untimeliness)

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

Management of the Departments have a shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' Integrated Eligibility System (IES) is the automated system used by the Departments to intake, process (with the assistance of caseworkers), and approve assistance applications, maintenance items, Mid-Point Reports, and redetermination of eligibility as well as to make payments for the State's human service programs.

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

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

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

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

The Code of Federal Regulations (Code) (42 C.F.R. § 435.912(c)(3)), *Timely Determination and Redetermination of Eligibility*, requires the Departments to determine the eligibility of applicants for medical program benefits within 45 calendar days of receipt of the application for benefits. Additionally, the Code (7 C.F.R. § 273.2(g)), *Office Operations and Applications Processing*, requires the Departments to determine the eligibility of applicants for SNAP benefits no later than 30 calendar days following the date the application was received. Furthermore, the Code (45 C.F.R. §206.10(3)(i))), *Application, Determination of Eligibility, and Furnishing of Assistance*, requires the Departments to determine the eligibility of applicants for TANF benefits within 45 days of receipt of the application.

The Code of Federal Regulations (Code) (42 C.F.R. § 435.916(d)(1)), *Periodic Renewal of Medicaid Eligibility*, requires the Departments to promptly redetermine eligibility upon receipt of information affecting eligibility.

Additionally, 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.

Untimely determination of eligibility, untimely redetermination of eligibility and not promptly processing of change documentation is a violation of the Code. Failure to make timely determinations of eligibility could result in hardships for the applicants. Furthermore, failure to timely redetermine eligibility for benefits could result in the Departments paying benefits to ineligible individuals as well as them receiving federal financial participation in connection with those ineligible benefits paid (Finding Code No. 2024-004)

RECOMMENDATION

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

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. In February of 2024, HFS had hired 40 caseworkers to process medical redeterminations. In addition, another 34 new positions were being posted to increase casework staff. These positions require a one-year training plan. In October of 2024, HFS began using a report to identify applications and redeterminations performed outside of the required timeframes. This report provides specific information that assists management on where to focus efforts to improve timeliness. Finally, a training was designed to improve proper application of policy for both timeliness and accuracy of cases. This training was completed by all HFS and Department of Human Services eligibility staff. HFS is currently 91% timely on application processing and 99% timely in completing redeterminations.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Department of Human Services (DHS) will work with HFS to implement additional controls to ensure compliance with the requirement that applications are reviewed and approved or denied timely. Starting in November 2023, DHS has implemented a series of Tableau Dashboards to monitor work and staff activity. Managers were trained on the released dashboards and use them daily to monitor and assign new and in progress tasks, aging tasks, and to review completed tasks. One additional dashboard is still in the testing phase of development. In addition, efforts are underway to increase Human Services Caseworker headcount at DHS.

2024-005. **FINDING** (Failure to perform provider revalidations)

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

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

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

- Based on prior audits, we noted the first applications within IMPACT were dated July 2015, resulting in an original revalidation date of July 2020. Using the Federal CMS guidance for PHE unwinding, the Departments had 44 months from the original revalidation date to perform any revalidations due during the PHE. The Departments should have revalidated all providers who had an original revalidation date between July 2020 and October 2020. These revalidations should have occurred between March 2024 and June 2024.
- Using the Federal CMS guidance for PHE unwinding, providers with a revalidation due date within six months after the conclusion of the PHE had an additional six months to be revalidated. The Departments should have revalidated all providers with an original revalidation date between June 2023 and November 2023. These revalidations should have occurred between December 2023 and May 2024.
- Starting in December 2023, no additional time for the completion of revalidations was approved by Federal CMS. Therefore, any required revalidations from December 2023 through June 2024 should have been revalidated at the time due, or five years from enrollment.

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

The Code of Federal Regulations (Code) (42 C.F.R. § 455.414), *Program Integrity: Medicaid*, requires the Departments to revalidate the enrollment of all providers regardless of provider type at least every five years.

Federal CMS State Health Official Policy #20-004*, Planning for the Resumption of Normal State Medicaid, Children's Health Insurance Program (CHIP), and Basic Health Program Operations Upon Conclusion of the COVID-19 Public Health Emergency*, states the Departments may delay the

revalidation due date by the amount of time the PHE is in place with an additional six months lead time to allow for notification to the provider of the new revalidation date. For revalidations that are due within six months after the expiration of the PHE, states are granted an additional six months to complete those revalidations.

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

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

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Departments to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws.

HFS management indicated providers were not revalidated during fiscal year 2024 due to a misinterpretation of the Federal CMS unwinding guidance. Additionally, system updates were required to make the revalidation job functionality configurable to HFS' processing needs. DHS management stated the functionality to process revalidations was not activated in IMPACT until September 2024. IMPACT is the book of record for determining whether someone is a Medicaid provider, and DHS could not officially begin processing revalidations until such functionality was activated in the system.

Inadequate controls over the operation of the IMPACT system, such as not performing the revalidation process, could result in providers remaining active when they should no longer be enrolled for payment, the State expending federal and State funds for which providers eligibility for continued enrollment have not been adequately demonstrated or documented, and could result in further expenditures to providers who are ineligible for continued enrollment. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statements or financial information. (Finding Code No. 2024-005)

RECOMMENDATION

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

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will improve internal controls to ensure providers are revalidated as required.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Department of Human Services (DHS) accepts the recommendation. DHS began processing revalidations in September 2024 once the functionality was activated in IMPACT by HFS. DHS will continue to work with HFS to ensure revalidations are processed.

2024-006. **FINDING** (Financial statement preparation weaknesses)

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

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

> Footnote 2(q), Net Position: GASB Codification Section 2300.107hh requires entities to disclose the amount of the primary government's net position at the end of the reporting period that is restricted by enabling legislation. The Department had a restricted balance of $1.048 million on the Statement of Net Assets which was not included in the footnote disclosure.

Subsequent to year end, the Department identified an information technology (IT) system error that impacted invoices for drug claims identified as Medicare Part D for the Medicare Medicaid Alignment Initiative (MMAI). These claims, submitted by Managed Care Organizations (MCOs) during fiscal years 2020 through 2024, were not excluded from data ultimately transmitted to facilitate drug rebate invoicing. Inclusion of these claims resulted in the Department invoicing pharmaceutical manufacturers for rebate payments for Medicare Part D drugs that were ineligible for such rebates. For financial statement reporting purposes, drug rebates are reported as a reduction in expenditures. Therefore, expenditures were understated by $1,072,629. This amount, and all amounts hereafter, are expressed in thousands. Due to the effect of correcting the error for fiscal years 2020 through 2023, the beginning fund balance/net position required a restatement as of June 30, 2023. Additional adjustments were necessary for the fiscal year 2024 balances, as noted in the table below.

Financial Statement Line Description	***Overstated (Understated)***
General Fund	
Assets	**(1,276,399)**
Due from other Department funds	(1,296,781)
Due from other funds	37,228
Other receivables	(16,846)
Expenditures	**(186,924)**
Health and social services	(186,924)
Fund Balances	
Committed fund balance	725,216
Unassigned fund balance	347,413
Liabilities	**16,846**
Accounts payable and accrued liabilities	(1,242,707)
Due from other Department funds	1,259,553

Additionally, the Department identified revisions necessary to capital assets related to subscription-based information technology agreements (SBITA) and intangible asset classifications. Due to the effect of correcting the classifications, the Department's financial statements required a restatement as of June 30, 2023, as noted in the table below.

Financial Statement Line Description	*Overstated (Understated)*
Governmental Activities	
Assets	**79,174**
Capital assets being depreciated, net	25,838
Capital assets not being depreciated	53,336
Liabilities	**(21,459)**
Long-term obligations	(21,459)
Net Position	**57,715**
Net investment in capital assets	57,715

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

Financial Statement Line Description	*Overstated (Understated)*
General Fund	
Expenditures	**0**
Lease financing	(15,986)
Capital outlays	42,146
Debt service interest	781
Debt service principal	9,549
Health and social services	(36,490)
Nonmajor Funds	
Expenditures	**0**
Capital outlays	(4,645)
Debt service interest	394
Debt service principal	4,250
Health and social services	1

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

Financial Statement Line Description	*Overstated (Understated)*
General Fund	
Assets	**(9,971)**
Due from State of Illinois component units	1,188
Due from other Department funds	1,187
Due from other government – federal	(164)
Other receivables	(12,182)
Expenditures	**26,281**
Health and social services	25,094
Transfers-out	1,187
Liabilities	**(15,123)**
Accounts payable and accrued liabilities	17,507
Due to other Department funds	(1,187)
Due to other government – federal	(4,833)
Due to other government – local	(20,214)
Due of State of Illinois component units	(5,372)
Unavailable revenue – Federal operating grants	164
Unavailable revenue – Other operating grants	(1,188)
Revenues	**(1,187)**
Transfers-in	(1,187)

This finding was first noted during the Departments' fiscal year 2022 financial audit, two years ago. As such, the Department's management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Comptroller Act (15 ILCS 405/19.5) requires the Department to report, on or before October 31 each year, all financial information as directed by the Comptroller in order to compile and publish an annual comprehensive financial report in accordance with GAAP.

The Government Finance Officer Association's *Internal Control Deficiencies in Audits* advocates that governments should establish and document a system of financial reporting that is sufficient to provide reasonable assurance that management is able to prepare financial statements in conformity with GAAP. A good system of internal control requires management to review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, *Objectives of Financial Reporting* (GASBCS 1, paragraph 66), states, "If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions."

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, among other things, 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.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a financial audit.

Department management stated the drug rebate invoicing error was due to staff not communicating the necessary exclusion of Medicare Part D drugs to the contractor, which resulted in the Medicare Part D claims being included in the data used to facilitate drug rebate testing. Further, Department management stated the other issues identified were caused by a combination of delays in communication of relevant information from program areas and partner agencies and delays in updates to the IT systems and processes for capturing and calculating financial reporting information. The capital asset adjustments identified by the Department were due to staff turnover in the accounting area in prior years. In addition, GASB 96 was implemented in fiscal year 2023 and required a significant amount of additional staff and resources.

Weaknesses in the design and operation of the Department's internal controls over financial reporting adversely affected the Department's ability to timely prepare accurate financial statements, and in the future, could hinder the overall accuracy of the transactions reported in the State's Annual Comprehensive Financial Report. The internal control weaknesses over financial reporting delayed the completion of the Department's financial audit and the Statewide financial audit. Further, the delay in identifying and communicating accounting errors significantly increases the risk that operational or strategic decisions are made without the benefit of recent and relevant information, or decisions may be delayed because recent relevant information is not otherwise available. (Finding Code No. 2024-006, 2023-006, 2022-007)

RECOMMENDATION

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

DEPARTMENT RESPONSE

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

2024-007. **FINDING** (Lack of disaster recovery testing)

The Department of Healthcare and Family Services (Department) failed to conduct disaster recovery testing of its applications and data.

The Department utilizes several applications containing critical, confidential, and sensitive information in order to meet its mission. These applications are used by the Department for managing the State's healthcare program, fulfilling the State's child support obligations, and for the Department's internal financial and human resource information. We identified the following applications:

- Medicaid Management Information System (MMIS)
- Key Information Delivery System (KIDS)
- Enterprise Resource Planning (ERP) System
- Pharmacy Billing and Management System (PBMS)
- HFS Payroll System (AAIS)

During our review, we noted the Department had not conducted disaster recovery testing of the MMIS, KIDS, or AAIS applications and associated data during the engagement period.

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 over the State's resources.

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology, Sections 3.5 and 3.6, requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications.

Department management indicated the Department relies on the Department of Innovation and Technology (DoIT) to perform disaster recovery. Due to technical issues, DoIT was not able to prioritize this task for the Department.

Failure to adequately plan for the recovery of applications and data leaves the Department exposed to the possibility of major disruptions to services. (Finding Code No. 2024-007)

RECOMMENDATION

We recommend the Department work with DoIT to ensure recovery capabilities meet its needs and perform and document tests of its applications and data at least once each year. In addition, we recommend the Department's various disaster recovery plans should be continuously updated to reflect environmental changes and improvements identified from tests.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS has reached out to the DoIT Security Resiliency Team to be added to the next disaster recovery quarterly window which occurs in the first quarter of 2026. The Disaster Recovery Policy is reviewed annually, and all annually scoped plans will be updated to reflect any environmental changes and improvements to the systems.

2024-008. **FINDING** (Inadequate general information technology controls)

The Department of Healthcare and Family Services (Department) failed to maintain adequate general information technology internal controls (ITGCs) over its applications.

The Department utilizes several applications containing critical, confidential, and sensitive information in order to meet its mission. These applications are used by the Department for managing the State's healthcare program, fulfilling the State's child support obligations, and for the Department's internal financial and human resource information. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. We identified the following applications assessed to have a material impact on the Department's financial information and/or operations:

- Medicaid Management Information System (MMIS)
- Key Information Delivery System (KIDS)
- Enterprise Resource Planning (ERP) System
- Pharmacy Billing and Management System (PBMS)
- HFS Payroll System (AAIS)

Access Provisioning

We tested the Department's access provisioning procedures for a sample of 221 users across five applications. Our sample of 221 users was comprised of 157 existing users, 28 new-hired users, 18 terminated users, and 18 users with administrative rights. We noted 12 of 157 (8%) existing users' access to the application was not needed to perform their job responsibilities.

Change Control

Change control is the systematic approach to managing changes to an information technology environment, applications, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

The Department was unable to provide a population of MMIS or AAIS changes during the engagement period. While the Department provided a population of changes, we were unable to determine which applications the changes were for. Thus, the population was not sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants. A complete and accurate population was provided for the KIDS system. ERP and PBMS applications are not maintained by the Department, as such change control testing was not performed.

Even given the population limitations noted above, we performed testing of 25 changes across three applications maintained by the Department.

During our review of change management, we noted:

- One (4%) change tested did not have proper documentation of the user acceptance testing performed prior to the change being moved to production.
- Three (12%) changes tested did not have sufficient and complete documentation of the change to the application. As such, we could not conclude the changes were properly tested and approved in accordance with change management policies.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

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), Configuration Management section, requires entities to ensure applications are modified in a manner that promotes consistency, integrity, and security and ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

Additionally, 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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department management indicated the access provisioning exceptions were due to insufficient and incorrect communication between employees involved with the removal of system access. Department management indicated the change control exceptions were due to limitations of the systems' ability to segregate changes by application as well as employee oversight in following the change process.

An increased risk of unauthorized access and changes could occur without the implementation of adequate controls and procedures. These deficiencies increase the risk that confidentiality, integrity, and availability of data could be compromised. (Finding Code No. 2024-008)

RECOMMENDATION

We recommend the Department strengthen internal controls to ensure users' access to its applications is appropriate based on job responsibilities. Additionally, we recommend the Department maintain a complete and accurate population of changes for each of the Department's applications and strengthen internal controls to ensure proper documentation is maintained for all changes made.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS and DoIT-HFS will work together to ensure that users are appropriately assigned based on job responsibilities. HFS will further mature its onboarding/offboarding process and its application documentation process to ensure accuracy and proper documentation is maintained for each change requested by the agency.

A. **FINDING** (Inadequate general information technology controls over IMPACT)

During the prior engagement, 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' Medicaid Program Advanced Cloud Technology (IMPACT) system.

During the current engagement, the Departments' made improvements to their internal controls over IMPACT related to user access. After review of the Departments' compensating controls, the remaining exceptions noted were determined to not have a significant impact on the financial reporting at the Departments. Therefore, this finding is not repeated in the Departments' financial audits. (Finding Code No. 2023-004, 2022-003, 2021-005, 2020-007, 2019-010, 2018-002)

B. **FINDING** (Insufficient review and documentation of provider enrollment determinations)

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

During the current engagement, the Departments were able to provide support the required monthly batch screenings were reviewed and documented for all the enrolled providers in the sample tested. Therefore, this finding is not repeated. (Finding Code No. 2023-005, 2022-004, 2021-006, 2020-008, 2019-010, 2018-002)

C. **FINDING** (Failure to properly identify capital assets in accordance with reporting standards)

During the prior engagement, the Department of Healthcare and Family Services failed to properly identify leases and subscription-based information technology agreements in accordance with the applicable Governmental Accounting Standards Board Statements.

During the current engagement, the Department implemented corrective actions, including detailed analysis, to improve internal controls for properly identifying capital assets. However, as noted in Finding Code No. 2024-007, the Department did not timely perform this analysis for financial statement preparation. (Finding Code No. 2023-007)