

Department of Children & Family Services
 Exhibit I
CHECKLIST & INTERROGATORY for FINANCIAL and STATISTICAL REPORTING

Name of Reporting Agency: _____

Reporting for the Period Ended: _____

To Be Completed & Submitted by the Provider Agency WITH YOUR AUDITED FINANCIAL REPORTING PACKAGE due within 180 Days of the Provider Agency's Fiscal Year End

Interrogatory & Reporting Checklist – To Be Completed and Submitted by the Provider Agency

If your agency is required to provide an Independent Financial audit, the following Reporting Checklist must be completed and enclosed. The reporting checklist should be completed by Provider Agency staff.

📌 Audit Engagement Letter & Peer Review

Circle Answer

	Yes/Enclosed	No
Was an Engagement Letter executed?		
Public accounting firms and sole practitioners that are conducting an audit of your financial statements are required to undergo a peer review every three years. <u>Obtain a copy of the most recent Peer Review and Auditor's letter of response, enclose</u> these with the annual audit and cost reporting submission documents. (Please enclose the most recent letter, even if you have already submitted the same letter in prior years.)	Enclosed	

📌 Auditor Communication

	Yes/Enclosed	No
Was an Auditor's Communication with Those Charged with Governance (AU-C Section 260) received? If yes, please enclose the communication.		
Were those charged with governance notified of fraud (or that the auditors obtained information that indicated a fraud may exist) identified during the audit? (AU-C Section 240) If yes, please enclose the communication.		
Were those charged with governance notified of Other Matters Related to Fraud resulting in the auditors Evaluation of Fraud Risk Factors? (AU-C Section 240). If yes, please enclose the communication.		
The auditor reviewed the Provider Agency's financial policies and management/financial practices in their consideration of fraud.	Yes	No

Management Letter

Was a Management Letter received? If yes, please enclose. A Management Letter typically includes issues identified of lesser concern than issues identified in the Auditors Communication noted above.	Yes/Enclosed	No	
Did management prepare a response to the Management Letter and respective corrective action plan? If yes, please enclose.	Yes/Enclosed	No	N/A
Was a schedule of the status of prior year Management Letter issues prepared? If yes, please enclose the schedule.	Yes/Enclosed	No	

Independent Auditor's Report & Financial Statements

Circle Answer

<p>The <u>Independent Auditor's Report & Financial Statements</u> are <u>enclosed</u> and contains:</p> <ul style="list-style-type: none"> - Independent Auditor's Report (Opinion) If a Consolidated Financial Report (CFR) is completed, the independent auditor must express an "In Relation To" Opinion on the Cost and Revenue Schedules. For additional information related to the opinion, please refer to the point captioned "Instructions for the auditor – In Relation To Opinion of the Consolidated Financial Report (CFR)". If a Consolidated Year End Financial Report (CYEFR) is completed, the independent auditor may need to express an "In Relation To" Opinion. (See pages 8 and 9 for instructions) 	Yes	No	
- Reports on Compliance and Internal Controls Over Financial Reporting in accordance with Government Auditing Standards (if not contained in the Single Audit)	Yes	No	N/A
- Statement of Financial Position	Yes	No	N/A
- Statement of Activities	Yes	No	N/A
- Statement of Cash Flows	Yes	No	N/A
- Statement of Functional Expenses including management and general expenses and fundraising expenses. The statement should show by functional and natural classifications the expenses for each individual program thus enabling the association of audited costs with Department funding. (A program is defined as a coherent assembly of activities and supporting resources contained within an administrative framework to implement an organization's mission or some specific related aspect of that mission. In the context of Department contracting and Provider Agency cost reporting, material differences in contract program plans are used to distinguish programs as being separate from one another. The Department will rarely issue separate contracts for the same program in the same period. One program can be, and often is, supported by more than one funding source.)	Yes	No	N/A
-Notes to the Financial Statements	Yes	No	N/A

Single Audit

Circle Answer

Was the total amount of Federal Funds spent from all grant sources verified by the auditors?	Yes	No
Was the total amount of Federal Funds spent from all grant sources greater than or equal to \$750,000?	Yes	No
Was a Single Audit, in conformance with 2 CFR 200 Subpart F, performed and uploaded into the FAC?	Yes	No

Consolidated Financial Report (CFR) or Consolidated Year-End Financial Report (CYEFR)

Is your Agency required to file a CFR or CYEFR?	Yes	No
If your Agency is required to file a CFR or CYEFR, did the independent auditor express an opinion on them? If your Agency is required to file, instructions are attached for the auditor to use in preparing your In Relation To Opinion (see pages 8 and 9).	Yes	No N/A
Does the Report of Service Units on the CFR include all clients served regardless of the referral source?	Yes	No N/A
Can the Cost schedule of the CFR or CYEFR be tied to the Statement of Functional Expenses contained in the audit report? If not, please <u>construct and enclose a crosswalk</u> between them.	Yes	No
Are any non-allowable costs as defined by 2 CFR 200 Subpart E or 89 Illinois Administrative Code Section 356.60 (Disallowable Costs and Reduced Reimbursement) included in any program columns of the CFR or CYEFR? A list of non-allowable costs is provided at the end of this document for reference.	Yes	No
If non-allowable costs are included in any program columns of the CFR or CYEFR, please prepare and enclose a schedule that identifies the non-allowable cost item, the reported amount, and the program column and line number containing the non-allowable cost.	Enclosed	N/A

Licensed Child Welfare Agency Management Self Reporting Form

Circle Answer

Is the Provider Agency licensed by the Department? If yes, please enclose the most recently completed <u>Licensed Child Welfare Agency Management Self Reporting Form</u> .	Yes/Enclosed	No
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Illinois Attorney General Form 990

Circle Answer

Is the Provider Agency required to file the Illinois Attorney General AG-990 form? If yes, please <u>enclose the most recently completed AG-990 form</u> .	Yes/Enclosed	No
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↗ Related Party Transactions

Were all related party relationships and transactions identified and disclosed, as required by FASB ASC 850-10-50? If disclosure is required, please enclose a schedule that identifies each related party, the relationship between the related parties, a brief description of the transactions (items or services) with the related party, and the amount of such transactions.	Yes/Enclosed	No
Did the auditors become aware of the (possible) existence of material related party transactions not otherwise disclosed (AU-C Section 550)?	Yes	No

↗ Cost Allocation Plan / Indirect Cost Rate

Does a reasonable and consistent cost allocation plan exist for allocable management and general expenses, based on the benefit received?	Yes	No
Was the plan utilized for the actual allocation of allocable management and general expenses?	Yes	No
Are costs not directly charged or allocated, included in the indirect cost rate pool?	Yes	No
What basis is utilized for the allocation of indirect costs? Please attach your cost policy statement/cost allocation plan.	Enclosed	
Are costs allocated at least monthly or quarterly?	Yes	No
Does the Agency utilize a negotiated indirect cost rate?	Yes	No
Does the Agency utilize the De Minimus rate?	Yes	No
Are payroll costs allocated among two (2) or more programs?	Yes	No
If payroll costs are allocated among two (2) or more programs, was a generally accepted allocation method used to assign payroll costs across multiple programs?	Yes	No
Are non-payroll costs allocated among two (2) or more programs?	Yes	No
If non-payroll costs are allocated among two (2) or more programs, was a generally accepted allocation method used to assign non-payroll costs across multiple programs?	Yes	No
Does a reasonable segregation of duties exist for the finance and accounting functions?	Yes	No
Does the accounting system minimally include a chart of accounts and appropriate accounting journals?	Yes	No
Is the chart of accounts at least as detailed as the authorized budget (if applicable) by cost category?	Yes	No
Are procedures in place to ensure that transactions are properly recorded and charged to the correct program?	Yes	No
Does a written policy exist for the accrual and use of benefit time?	Yes	No
If a written policy exists, was benefit time accrued and used in accordance with the written policy?	Yes	No
Were time and attendance records maintained for all staff who are paid in full or in part from Department funds?	Yes	No

↗ Contact Information and Certification

Name of Lead CPA/Auditor: _____

Name of Auditing Firm: _____

Address of Auditing Firm: _____

Lead CPA/Auditor License Number: _____

Contact Person at Provider Agency: _____

Email: _____

Phone Number: _____

By signing this report, I certify to the best of my knowledge and belief that the answers are true, complete and accurate. I am aware that any false, fictitious, or fraudulent information of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3279-3730 and 3801-3812; 30 ILCS 708/120).

Executive Director _____
Printed Name Signature

Chief Financial Officer _____
Printed Name Signature

Board President _____
Printed Name Signature

Board Treasurer _____
Printed Name Signature

📌 Consolidated Financial Report (CFR) – When a CFR must be completed and submitted

Consolidated Financial Report (CFR)

Provider agencies contracted for delivery of 24-hour substitute care services⁽¹⁾, Intact Family Services programs, and Child Welfare Services (CWS) referral programs shall submit an annual Consolidated Financial Report (CFR) regardless of the Department funding amount.

⁽¹⁾24-hour Substitute Care Services include:

- Childcare Institution Programs
- Shelter Care Programs
- Group Home Programs
- Independent Living and Transitional Living Programs
- Community Integrated Living Arrangement Programs
- Agency Foster Care Programs

Generally excluded from reporting on the CFR are governmental entities, individuals, contractual employees, electronic data processing services, and out of state providers serving 11 or fewer Department youth.

If a certified independent financial audit is NOT required, but your Agency is required to submit a CFR, the CFR is not required to have an in relation to opinion on the revenue and expense schedules.

If you are required to submit the CFR to more than one State Agency (Illinois Department of Human Services (DHS), Children and Family Services (DCFS) and the State Board of Education/Illinois Purchase Care Review Board (ISBE/IPCRB)), you must start all the CFR schedules (except Report of Service Units) with the “Total Agency” column, taken from the audited financial statements, then break out into columns, all programs that all entities require you to report in detail. In this way, only one set of CFR schedules needs to be completed, with copies submitted to all the entities requiring submittal.

All seven (7) schedules of the Consolidated Financial Report must be completed.

- | | |
|----------------------------|--------------------------|
| 1. Agency Information Page | 5. Service Unit Schedule |
| 2. Program Names Schedule | 6. Personnel Schedule |
| 3. Costs Schedule | 7. Contractual Schedule |
| 4. Revenues Schedule | |

Two applications may be used to electronically collect Consolidated Financial Report (CFR) data from Provider Agencies. Submission of your CFR through the applications sends the data to each applicable Illinois state agency.

The first application is through the Illinois State Board of Education (ISBE): <https://sec1.isbe.net/cfr>. To set up a new account go to: <https://sec1.isbe.net/cfr/adminsetup.aspx>.

The second application is the Community Service Agreement (CSA) through the Department of Human Services (DHS). If you need to register for the CSA or need a password reset to CSA please contact the Office of Contract Administration at 217-785-9260.

CFR Submittal

The Provider Agency shall submit an electronic copy of all required reports and attachments via the Audit Report Review Management (ARRM) System or the Central Repository Vault (CRV).

Requests for extensions of the CFR should be sent on or before the due date to:

Office of Planning and Budget Development
Department of Children and Family Services
Mail Station 440
406 East Monroe Street
Springfield, Illinois 62701-1498

Failure to comply with financial and statistical reporting requirements will follow the Grantee Compliance Enforcement System policy and may result in being placed on the Illinois Stop Payment List.

Please note the contract program plan may identify financial and statistical reporting requirements in addition to those stated here. The Provider Agency shall adhere to additional reporting requirements if stated in the contract program plan.

Questions regarding Audits should be directed to Sondra Badie in the Department's Office of Financial Review at Sondra.Badie@illinois.gov or (708)210-2822. Questions regarding who is required to report, the CFR and the new web based system should be directed to Justin Carlin with the Office of Planning and Budget at justin.w.carlin@illinois.gov or (217)558-5386.

📌 Instructions for the Auditor – “In Relation To” Opinion on the Consolidated Financial Report (CFR)

The independent certified public accountant may elect to add a paragraph to the opinion on the basic financial statements. Or, the independent certified public accountant may issue a separate report on the supplementary information. In either case, an opinion must be expressed on the Cost and Revenue schedules of the CFR. An example of an acceptable opinion follows:

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The [*identify accompanying supplementary information*] is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Auditing standards (AU-C Section 725) prescribe the procedures to be performed when an auditor is opining on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. In addition to these standard required procedures, perform the following on the CFR schedule of Program Costs and Schedule of Program Revenue:

- Obtaining Department Rules (89 Illinois Administrative Code Sections 356, 357, 360 and 434). Available at <http://www.state.il.us/dcfs/policy/index.shtml>. Obtaining DCFS instructions for preparing the CFR Schedule of Program Costs and Revenue and comparing the classifications used therein to those allowed by the instructions.
- Agreeing the total expense amounts detailed in the CFR Schedule of Program Costs to the provider’s GAAP based financial statements.
- Agreeing the total revenue amounts detailed in the CFR Schedule of Program Revenue to the provider’s GAAP based financial statements and to the program that the revenue was received for.
- Reviewing the methodology used to allocate costs among programs for reasonableness ensuring that the methodology was consistently followed. Agreeing allocated amounts to the general ledger and applicable payroll records.
- Reading 89 Illinois Administrative Code 356.60 (Disallowable Costs and Reduced Reimbursement), CFR 200 Subpart E, and the CFR instructions to ensure that those costs are included on Line 47 of the CFR and a detailed list of those costs are included either in a separate attachment or through the use of the on-line CFR.
- Mathematically checking all footings and cross footings on the CFR Schedule of Program Costs and Revenues.

Instructions for the Auditor – “In Relation To” Opinion on the Consolidated Year End Financial Report (CYEFR).

Only those grantees required to have an audit under the Federal/GATA audit requirements are required to have an In Relation To opinion on their CYEFR. Auditing Standard AU-C Section 725 prescribes the procedures to be performed when an auditor is opining on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The auditor will be opining on whether the Consolidated Year End Financial Report (CYEFR) is fairly stated, in all material respects, in relation to the financial statements as a whole. The CYEFR is completed by a grantee as part of the Grant Accountability and Transparency Act (GATA) audit requirements. Any grantee receiving a State award [grant] or Federal pass through award grant from a State agency must complete the CYEFR.

Reporting for the In Relation To opinion must comply with Auditing Standard AU-C Section 725. The CYEFR that is being opined upon may be included by the audited entity as supplementary information with the financial statements or may be reported separately. The location of the auditor’s In Relation To opinion is dependent on where the supplementary information is placed (with financials or in a separate report). Part .A17 of AU-C Section 725 provides Illustrative Reporting Examples for reporting on supplementary information in relation to the financial statements as a whole, to be followed by the auditor.

89 Illinois Administrative Code Section 356.60 (Disallowable Costs and Reduced Reimbursement)

Section 356.60 Disallowable Costs and Reduced Reimbursement

Certain costs shall not be considered by the Department for reimbursement. Cost standards may be applied to costs claimed to yield reasonable costs. Disallowable costs shall include:

- a) expenses resulting from transactions with related parties and/or parent organizations which are greater than the expense to the related party;
- b) non-straight-line depreciation;
- c) research items except as approved by the Department for program evaluation;
- d) bad debts;
- e) special benefits to owners, including owner and key-man life insurance;
- f) compensation to non-working owners and officers;
- g) discounts, rebates, allowances, and charity grants offered by the agency;
- h) entertainment expenses;
- i) fund-raising;
- j) revenue producing expenses;
- k) legal fees for litigation with governmental agencies;
- l) non-program related activities;
- m) membership to national, state, or parent organizations;
- n) awards and grants to individuals;
- o) fines and penalties;
- p) mortgage and loan principal payments;
- q) contingency funds;
- r) losses on other grants and contracts;
- s) expenses relating to the development of bids or proposals;
- t) housing of non-clients (does not prohibit the expense of live-in staff);
- u) severance pay;
- v) federal and state income tax;
- w) sales tax; and
- x) other costs not reasonably related to services.

Special Instructions for Reporting Medicaid Revenues Paid for agreements containing a DCFS Medicaid Carve Out

Beginning on July 1, 2013 (FY2014), funding for Medicaid Mental Health Services provided to youth residing in institution and group home settings has been disbursed through Medicaid Carve Out (MRC) Agreements. Beginning July 1, 2017 (FY2018), DCFS began a pilot program for Medicaid Carve Out for specialized foster care (MFC).

For cost reporting years ending in 2015 through 2024, providers may choose to report the costs and revenues associated with Medicaid carve out separately on the CFR (not combined with any other programs i.e. Medicaid Group Home, Medicaid Institution and Medicaid Group Home Fee for Service). If the revenues and expenses are not reported separately, they should be reported in the Medicaid Agreement where the costs to provide the Medicaid Mental Health Services are recorded.

Costs supporting RSA-level staff in residential programs are currently included in DCFS placement per diem rates and are reimbursed to the Department through Title IV-E/non-Medicaid funds.

Residential providers who wish to have RSA-level staff participate in Medicaid billing for Medicaid-eligible behavioral health services are required to report costs and revenues associated with RSA staff in a separate Medicaid program/cost center on the annual cost report. RSA staff costs for Medicaid services must be allocated to the Medicaid program, along with any of the Medicaid revenue received for RSA-level Medicaid reimbursable services. Allocation of such RSA costs must be clearly articulated in the cost allocation statement.

When reporting Medicaid costs and revenue as a separate program/cost center on the cost report the method for determining the allocation of Medicaid costs must be documented in the cost allocation plan. The allocation plan must demonstrate that Medicaid-specific costs are reasonable and allocable to the Medicaid services provided. The Medicaid program is not subject to excess revenue adjustments using this method but remains subject to Department audit.

Medicaid Managed Care (Youth in Care) and Medicaid Fee-For-Service Revenue should not be reported as Department revenue. Please report as Medicaid Rehab Option (MRO), or Department of Public Aid/Healthcare and Family Services.

If reported separately, the Medicaid Carve Out Agreements are not included in the excess revenue reviews. If reported in their respective contract that the costs were incurred, **the excess revenue is based on the proportion of Department revenue (excluding Medicaid) to total revenue (including Medicaid).**