



222 S. South College • Springfield, IL 627040

MEMORANDUM

DATE: May 24, 2012

TO: Chief Executive Officers
DHS-Funded Community Services Providers

FROM: Ellen S. King
Chief, Bureau of Contract Compliance
Office of Contract Administration

SUBJECT: FISCAL YEAR 2012 YEAR-END FINANCIAL REPORTING

In the interest of full disclosure, transparency and accountability with regard to the use of public funds, financial reporting requirements, along with the enforcement of those requirements, have become increasingly rigorous. The Department of Human Services (DHS), as well as our provider partners, must be cognizant of and fully compliant with our statutory obligation to report to citizens how we are using their money. To that end, based upon a review of applicable Federal and State rules and regulations and/or the terms of your Community Service Agreement(s), DHS has determined that your agency is required to file year-end financial reports for State Fiscal Year 2012 (July 1, 2011 through June 30, 2012). The specific requirements and due date for your agency are listed on the "DHS Financial Reporting Checklist" which is enclosed.

OVERVIEW OF BASIC REQUIREMENTS

Agencies subject to FY2012 reporting requirements will submit one or more of the following documents:

- DHS Financial Reporting Checklist
- Consolidated Financial Report (CFR), web-based system
- Grant Report
- Independently Audited Financial Statements
- IRS Return or Report (IRS 990, 990EZ, 990PF or other)
- Form AG 990-IL
- Form 990T, UBIT
- Provider Demographic Information form
- Personnel/Administrative Information form

DHS Financial Reporting Checklist

The purpose of this form is for us to inform you of what financial reports you are required to submit to DHS and for you to attest to the accuracy of those reports. The top portion of this form has been preprinted with certain identifying information from the DHS database. The lower portion of this form identifies the reports that are required to be filed. The “DHS Financial Reporting Checklist” also requires the signature of one key management staff and either the Board President or Board Treasurer. **This completed form, along with the required reports, must be signed and returned to DHS.**

Consolidated Financial Report (CFR)

The purpose of this form is for you to tell us what your costs were to provide program services for which you were paid based on a predetermined rate. Those providers which received funds for programs subject to cost-based rate setting or cost/revenue analysis must submit a 5-schedule CFR prepared for the period July 1, 2011 through June 30, 2012. The specific requirements are:

Providers which are required to submit audited financial statements (see Independently Audited Financial Statements) must submit a CFR and an independent certified public accountant’s “In Relation To” opinion or “Report On Agreed-Upon Procedures” on the Schedule of Program Costs of the CFR. The opinion may be combined with the auditor’s opinion/report on the Grant Report if one is also required. (Line “C” of the Grant Report must equal Line 44 of the CFR, and also equal the Total Expenses per the audited Statement of Activities if the agency has a June 30TH fiscal year end.)

All other providers required to submit a CFR may meet this requirement without the involvement of an independent certified public accountant, i.e., the CFR can be prepared in-house.

For FY12 the CFR must be submitted electronically using the web-based system at the following site:
<https://sec1.isbe.net/CFR>

If you are a first-time on-line CFR user you will need to request and be granted access to the web site. Please contact Mr. Gary Beckman, (217) 785-9260, for assistance.

Grant Report

The purpose of this form is for you to tell us what your costs were to provide program services subject to the Illinois Grant Funds Recovery Act (30 ILCS 705 et. seq.). Providers which received contract funds for programs subject to year-end reconciliation and close-out based on grant revenues vs. eligible expenses must submit a “Grant Report”. This report displays total expenses and unallowable costs by DHS-funded program. An attachment provides the details for such unallowable costs. Instructions accompany the “Grant Report”. These providers will also receive (under separate cover) a Grant Reconciliation and Recovery Form, due by August 15TH.

Providers with **both** audited financial statements and Grant Report requirements must also submit an independent certified public accountant’s “In Relation To” opinion or “Report on Agreed-Upon Procedures” on the Grant Report. The opinion may be combined with the auditor’s opinion/report on the CFR if one is also required. (Line “C” of the Grant Report must equal Line 44 of the CFR, and also equal the Total Expenses per the audited Statement of Activities if the agency has a June 30TH fiscal year end.)

All other providers required to submit only a Grant Report may meet this requirement without the involvement of an independent certified public accountant, i.e., the Grant Report can be prepared in-house.

The programs that are required to be reported on the "Grant Report" are listed on a separate document titled "Programs to Be Reported on the Grant Report."

All Grant Reports must be completed on the State Fiscal Year cycle (July 1ST through June 30TH).
The Grant Report and instructions are available at:

<http://www.dhs.state.il.us/page.aspx?item=60442>

Independently Audited Financial Statements

Those providers paid or awarded \$25,000 or more under DHS Community Services Agreements and \$300,000 or more in total contracts with the five human service agencies (DHS, DCFS, DHFS, DPH and DOA), regardless of the types of programs or funds, must submit their audited financial statements, **including the management letter, if one was issued, and a Corrective Action Plan for any findings.** The audit must be prepared by an independent certified public accountant, licensed in the State of Illinois, for the year ending between June 30, 2012 and June 29, 2013. No special instructions apply. The audit should be conducted in accordance with generally accepted auditing standards and should include a complete set of financial statements applicable to the provider. For audits required to be performed subject to Government Auditing Standards, the Provider shall request and maintain on file a copy of the auditor's most recent peer review report and acceptance letter. For license renewals effective September 2009, a peer review is required for all Illinois auditors. To avoid possible additional costs to your agency, we strongly recommend verifying license status and obtaining a copy of the peer review and acceptance letter prior to auditor selection. DHS reserves the right to refuse to accept reports by auditors not in compliance with the current standards, and a second audit may be needed. More information regarding peer review can be found on the Illinois C.P.A. Society's website at www.icpas.org.

All providers which expended \$500,000 or more of federal funds from all sources, including any such funds received through DHS, during their fiscal year, are required to submit a copy of their Federal Single Audit reporting package including the management letter, if one was issued, and a Corrective Action Plan for any findings. DHS has no special instructions in this regard. Federal OMB Circular A-133 is the applicable reference.

For all providers required to submit audited financial statements it is assumed that the A-133 requirement applies and the "DHS Financial Reporting Checklist" is marked next to the line "OMB Circular A-133 Single Audit Report". This is a notification that DHS is expecting the provider to submit a Federal Single Audit reporting package unless the provider notifies DHS that they **did not expend \$500,000 or more of federal funds during the provider's fiscal year.** Such certification must be made by checking the applicable statement on the "DHS Financial Reporting Checklist" which reads "We expended less than \$500,000 in Federal funds from all sources, so are not required to do A-133."

(NOTE: The absence of an entry should not be interpreted as an indication that an OMB Circular A-133 Single Audit Report is not required. It is the provider's responsibility to assess the need for a Single Audit after all 2012 expenses are included and after DHS final federal funds notifications are received (mailed in September), to contract with a qualified auditor, and to submit the Federal Single Audit reporting package if one was required by OMB Circular A-133, and to indicate in the blanks on the Financial Reporting Checklist form which statement applies to your organization.)

IRS Return or Report (IRS 990, 990EZ, 990 PF or other)

Not-for-profit providers must submit a copy of the Federal Return filed by your agency. If your agency did not file a Federal Return or Report, please complete and submit the enclosed "Request For Extension/Waiver/Modification" form. <http://www.dhs.state.il.us/page.aspx?item=60442>

Form AG 990-IL

Not-for-profit providers must submit a copy of your agency's Illinois Charitable Organization Supplement. If your agency did not file an Illinois Return, please complete and submit the enclosed "Request For Extension/Waiver/Modification" form. <http://www.dhs.state.il.us/page.aspx?item=60442>

Form 990T (UBIT)

Not-for-profit providers must submit a copy of your agency's Unrelated Business Income Tax return, if applicable. If not applicable, please note that on your DHS Financial Reporting Checklist.

Provider Demographic Information

The purpose of this form is to ensure that we have on file accurate information regarding who at your agency is responsible for compliance with your annual financial reporting requirements to DHS. The Office of Contract Administration (OCA) maintains a database that includes your designated contact person, mailing address for year-end financial reporting, telephone and FAX numbers, email address, etc. The information submitted on this form updates only the OCA database. Any changes should also be communicated to other DHS offices with whom you do business.

Personnel and Administrative Information

The purpose of this form is to ensure that DHS has on file for all not-for-profit agencies accurate information such as headcount, Board membership and meeting frequency, risk management, etc. Each NFP agency is required to provide selected information regarding personnel and administrative activities.

IMPORTANT INFORMATION ON FEDERAL FUNDS REPORTING

Separate Accounting of ARRA Funds

ARRA funds, regardless of the amount received, must be separately reported to IDHS on all required FY12 financial reports, in addition to the separate reporting requirements for the Schedule of Federal Awards, if applicable. If your agency is required to submit unaudited financials, i.e., Grant Report, IRS return or Report (IRS 990EZ, 990 Pf or other), Form AG990-IL or Form 990T (UBIT), those too must clearly identify ARRA funds separately from non-ARRA funds. As a reminder you must:

- Keep the funds separate,
- Be timely in expenditures from the time when ARRA funds are received to the disbursements of the funds,
- Expend funds only to the specific program for which they are awarded, and
- Adhere to any other requirements as outlined in the American Recovery and Reinvestment Act of 2009 signed February 18, 2009.

REPORT SUBMISSION

The "DHS Financial Reporting Checklist" indicates which reports are required to be submitted. The Checklist also indicates the "Report Due Date" which is calculated **from the end of the provider's fiscal year**. If the Department does not know the end date of your fiscal year, then June 30TH is assumed. Please submit an Extension/Waiver/Modification form if your operating year end is incorrect in our records. <http://www.dhs.state.il.us/page.aspx?item=60442>

The reports are due 120 days from the end of your fiscal year unless you request and are granted an extension. Please submit your reports electronically in .pdf format via email to:

DHS.FY12FinancialReports@illinois.gov

If you are unable to submit electronic reports then paper forms may be submitted to:

Mr. Gary Beckman
Office of Contract Administration
Department of Human Services
222 South College, 2ND Floor
Springfield, Illinois 62704 -1875

Providers submitting paper forms should ensure that the reporting package is addressed correctly and that **two (2) complete copies** are enclosed.

Note: DHS is currently piloting a central repository vault (CRV) to store electronically submitted financial reports. When that system goes live you will receive, under separate cover, additional information and instructions.

EXTENSION/WAIVERS/MODIFICATIONS

DHS will approve reasonable requests for extensions of the due date for required reports and forms. Extension requests which are related to independent auditors' workloads and timeframes should be discussed, in advance, with such auditors. DHS recognizes that some providers are required to complete similar year-end reporting requirements for other state agencies and will grant extensions to coincide with the submission dates to other state agencies if documented on an extension request. Providers that have been granted extensions of their IRS 990 due date must submit a DHS extension request with the approved IRS extension attached.

DHS will also consider requests for waivers or modifications of its financial reporting requirements, but will approve them only when convincingly justified based on extenuating circumstances. DHS **cannot** waive federal requirements. No extension for submission of the Single Audit package can be granted beyond the OMB Circular A-133 nine-month or six-month (for audit periods ending after December 15, 2012) limit without documented Federal approval.

If your auditor will not have the report completed within the applicable timeframe, it is your responsibility to apply for an extension to the appropriate Federal agency. A "Request For Extension/Waiver/Modification" form is enclosed, along with instructions for its preparation and submission. <http://www.dhs.state.il.us/page.aspx?item=60442>

The decision of DHS regarding extension/waiver requests is final. The decision applies only to the current year reporting requirement, unless the response provided by the Department indicates otherwise.

SANCTIONS FOR NON-COMPLIANCE

Failure by the provider to comply with the reporting requirements described in this memorandum may result in suspension of the provider's current year contract payments. Any withheld funds will be paid to the provider when compliance has been achieved.

(NOTE: The Department's statutory ability to make current fiscal year payments, including payments that have been withheld, ends two (2) months after the close of the state fiscal year, i.e., August 31ST.)

DHS CONTACTS

Listed below are the key contact personnel for questions regarding reporting requirements:

- Questions regarding Independently Audited Financial Statements or the Federal Single Audit Requirement:
Mike Jeffers [Phone (312) 814-6405; Fax (312) 814-1199]
- Questions regarding the Grant Report:
Marie Myers [Phone (217) 785-9260; Fax (217) 782-4135]
- Questions regarding the Consolidated Financial Report or general questions about the Financial Reporting Requirements:
Gary Beckman [Phone (217) 785-9260; Fax (217) 782-4135]
- Requests for funding confirmations and questions regarding confirmations:
Email to: Brian.K.Bond@illinois.gov

(NOTE: Final State Fiscal Year 2012 payment and Federal funding information will not be available before September 2012.)

- To obtain additional copies of this packet:
OCA Receptionist [Phone (217) 785-9260; Fax (217) 524-5529]

- The mailing address for Mr. Jeffers, Ms. Myers, Mr. Beckman and Mr. Bond is:
 - Illinois Department of Human Services
 - Office of Contract Administration
 - 222 South College, 2nd floor
 - Springfield, Illinois 62704

- Information available on the DHS Website (<http://www.dhs.state.il.us/>) includes:
 - ▶ Link to on-line CFR system, information for accessing and using the system, DHS Supplemental Instructions
 - ▶ Grant Report - Allowable Costs
Unallowable Costs
Instructions
 - ▶ Sample Auditor's "In Relation To" opinion and "Agreed-Upon Procedures" report on Grant Report and/or Schedule of Program Costs of the CFR
 - ▶ Personnel/Administrative Information
 - ▶ Link to OMB Circular A-133 website
 - ▶ Request for Extension/Waiver/Modification with Instructions

- Information available on the ISBE Website (<https://sec1.isbe.net/CFR>) includes:
 - ▶ All CFR Forms
 - ▶ CFR Instructions

ESK:dp

Cc:	Kevin Casey	Theodora Binion Taylor	Linda Saterfield
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