STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE
SECURITY FUND

FINANCIAL AUDIT

For the Year Ended June 30, 2020

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

SIKICH.COM

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2020

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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AGENCY OFFICIALS

Director (2/18/2020 - Present)	Ms. Janel Forde
Director (Acting) (7/1/2019 - 2/17/2020)	Ms. Janel Forde
Assistant Director (12/4/2020-Present)	Vacant
Assistant Director (Acting) (7/15/2019 – 12/3/2020)	Mr. Michael Merchant
Assistant Director (7/1/2019 - 7/14/2019)	Vacant
Chief of Staff	Mr. Anthony Pascente
Chief Administrative Officer	Mr. Mark Mahoney
Chief Operating Officer	Ms. Aysegul Kalaycioglu
Chief Fiscal Officer (1/21/2021-Present)	Ms. Karen Pape
Chief Fiscal Officer (Acting) (7/1/2019-1/20/2021)	Ms. Karen Pape
General Counsel (7/22/2019 – Present)	Mr. Terrence Glavin
General Counsel (7/1/2019 - 7/21/2019)	Vacant
Chief Internal Auditor	Mr. Jack Rakers

Agency main offices are located at:

715 Stratton Office Building
401 South Spring Street
Springfield, IL 62706

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2020

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Teacher Health Insurance Security Fund of the State of Illinois, Department of Central Management Services (Department), was performed by Sikich LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Teacher Health Insurance Security Fund's financial statements.

SUMMARY OF FINDINGS

The auditors identified one matter involving the Department's internal control over financial reporting that they considered to be a significant deficiency.

Item No.	Pages	Last/First Report	Description	Finding Type
		CURRENT FINDINGS		
2020-001	24-27	2020/New	Inadequate Review of External Service Providers	Significant Deficiency

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison, on April 20, 2021. The responses to the recommendations were provided by Amy Lange, Audit Liaison, in a correspondence dated April 30, 2021.

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Teacher Health Insurance Security Fund (Fund) of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the Department, as of June 30, 2020, and the respective changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions, Notes to Schedule of Contributions, and Schedule of Investment Returns on pages 18-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis for the Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2021, on our consideration of the Department's internal control over financial reporting of the Fund 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.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
May 6, 2021

BASIC FINANCIAL STATEMENTS

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

(amounts expressed in thousands)

Assets	
Cash Equity with State Treasurer	$ 15,977
Cash and Cash Equivalents	11,321
Securities Lending Collateral of State Treasurer	5,137
Receivables	
Employer	7,285
Employee	9,820
Federal Government	1,008
Interest	12
Other Receivables	3,518
Total Receivables	21,643
Due from Other Funds	205,228
Prepaid Expenses	7,005
Total Assets	266,311
Liabilities	
Accounts Payable and Other	69,392
Intergovernmental Payables	2
Due to other funds	2,863
Obligations under Security Lending of State Treasurer	5,137
Compensated Absences, current	7
Total Current Liabilities	77,401
Long-term Compensated Absences	88
Total liabilities	77,489
Net position restricted for OPEB	$ 188,822

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2020

(amounts expressed in thousands)

Additions	
Contributions	
Employer	$ 98,816
State	133,896
Active Plan Member	133,896
Federal Government Medicare Part D	794
Consolidated Omnibus Budget Reconciliation Act (COBRA)	101
Total Contributions	367,503
Investment Income	193
Total Additions	367,696
Deductions	
Benefit Payments and Refunds	237,466
General and Administrative Expense	9,472
Total Deductions	246,938
Net Increase in Net Position	120,758
Unrestricted Net Position July 1, 2019	68,064
Net position restricted for OPEB, June 30, 2020	$ 188,822

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

1) Plan Description

Plan administration
The Teacher Health Insurance Security Fund (THISF) (also known as The Teacher Retirement Insurance Program, "TRIP") is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. TRIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of participating school districts throughout the State of Illinois, excluding the Chicago Public School System. TRIP health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to TRIP were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the Teachers' Retirement System (TRS).

Plan membership
In order to be eligible, retirees of public schools must have been certified educators or administrators during their time of employment. Eligibility to participate in the plan is currently limited to former full-time employees, or if not a full-time employee, an individual that is in a permanent and continuous basis position in which services are expected to be rendered for at least one school term, and their dependents.

Membership of the plan consisted of the following at June 30, 2020:

Inactive plan members currently receiving benefit payments	66,018
Inactive plan members entitled to but not yet receiving benefit payments	38,390
Active Plan Members	157,206
Total	261,614
Number of participating employers	979
Number of nonemployer contributing entities	1

Benefits provided
The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) establishes the eligibility and benefit provisions for the plan.

2) Summary of Significant Accounting Policies

a) Financial Reporting Entity

As defined by Generally Accepted Accounting Principles (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) Summary of Significant Accounting Policies (continued)

a) Financial Reporting Entity (continued)

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 THISF has no component units and is not a component unit of any other entity. However, the financial statements of the THISF are included in the financial statements of the State of Illinois as a pension (and other employee benefit) trust fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

b) Basis of Presentation

The financial statements present only the THISF administered by the State of Illinois, Department of Central Management Services. They are intended to present the financial position and the changes in financial position of only the THISF. They do not purport to, and do not, present fairly the financial position of the State of Illinois or the Department as of June 30, 2020, and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

c) Measurement Focus and Basis of Accounting

THISF's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. State contributions are recognized in the period in which the contributions are due to the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

d) 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.

e) Deposits and Investments

Investments are reported at fair value.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a 2a7-like pool and thus reports all investments at amortized cost rather than market value. The fair value of the pool is the same as the value of the pool shares. The Treasurer's investment policies are governed by state statute. In addition, the Treasurer's Office has adopted its own investment practices which supplement the statutory requirement.

2) Summary of Significant Accounting Policies (continued)

f) Compensated Absences

The liability for compensated absences reported in the statement of fiduciary net position consists of unpaid, accumulated vacation and sick leave balances for Department employees. 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 costs (e.g., Social Security and Medicare tax).

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.

g) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose 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.

h) Future Adoption of GASB Statements

Effective for the year ending June 30, 2021, the Department will adopt the following GASB Statement:

Statement No. 84, Fiduciary Activities, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

3) Contributions

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the TRS, who are not employees of a department, make contributions to the plan at a rate of 1.24% of salary and for every employer of a teacher to contribute an amount equal to .92% of each teacher's salary. The Department determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the THISF, an amount equal to the amount certified by the Board of Trustees of TRS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year.

3) Contributions (continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) requires that the Department's Director determine the rates and premiums of annuitants and dependent beneficiaries and establish the cost-sharing parameters, as well as funding. Member premiums are set by this statute, which provides for a subsidy of either 50% or 75%, depending upon member benefit choices. Dependents are eligible for coverage, at a rate of 100% of the cost of coverage.

For the year ended June 30, 2020, member required contributions ranged from $107.51 to $254.92, per month per retiree, and from $479.96 to $764.76, per month per retiree and spouse (assuming Medicare eligibility). For non-Medicare eligible members, required contributions ranged from $87.57 to $964.80, per month per retiree, and from $438.01 to $2,894.40, per month per retiree plus dependents. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires active teachers contribute 1.24% of salaries; they contributed $133,896 million, or approximately 36.52% of total premiums. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) also requires participating school districts contribute .92% of salaries; they contributed $98,816 million, or approximately 26.96% of total premiums. In addition, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires the State contribute 1.24% of salaries; they contributed $133,896 million, or approximately 36.52% of total premiums. The State contribution amount is annually adjusted to "true-up" the contribution from two years prior using actual rather than estimated covered payroll. The Department records an estimate for projected "true-up" amounts for the two years subsequent to the report date. The fund received $794 thousand in Medicare Part D subsidy payments from the federal government. Retiree contributions are netted with the related liability.

4) 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' Comprehensive Annual Financial Report.

Cash on deposit with the State Treasurer totaled $15.977 million at June 30, 2020.

4) Deposits and Investments (Continued)

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 of June 30, 2020, the Department had the following investments in the State Treasury Investment Pool (Illinois Funds):

	Fair Value (Thousands)	Weighted Average Maturity (Years)
Illinois Public Treasurers' Investment Pool	$11.321	.194
Total fixed income investments	$11.321	

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since THISF is funded on a pay-as-you-go basis, 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: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Since THISF is funded on a pay-as-you-go basis, the Department does not have a formal investment policy that limits investment choices. Investments in the Illinois Public Treasurers' Investment Pool were rated AAAm by Standard & Poor's.

Rate of Return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.732%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

4) Deposits and Investments (continued)

c) Reconciliation to Statement of Fiduciary Net Position

	Deposits (Thousands)	Investments (Thousands)
Amounts per Note 4(a)(b)	$15,977	$11,321
Cash Equivalents	11,321	(11,321)
Total per Statement of Fiduciary Net Position	$27,298	$ 0

d) 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 2020, 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 2020 on the amount of the 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 2020 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2020, 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. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2020 were $4,344,267,500 and $4,290,619,359 respectively.

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, 2020 arising from securities lending agreements to the various funds of the State. The total allocated to the THISF at June 30, 2020 was $5.137 million.

5) Net OPEB Liability

The components of the net OPEB liability of TRIP at June 30, 2020, were as follows:

Total OPEB liability	$26,924,735,154
Plan fiduciary net position	188,822,000
Net OPEB liability	$26,735,913,154
Plan fiduciary net position as a percentage of the total OPEB liability	0.70%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

Inflation	2.50%
Salary increases	Depends on service and ranges from 9.50% at 1 year of service to 4.00% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Healthcare cost trend rates	Trend for fiscal year 2020 based on expected increases used to develop average costs. For fiscal years after 2020, trend starts at 8.25% for non-Medicare costs and Medicare costs, and gradually decreases to an ultimate trend of 4.25%. There is no additional trend rate adjustment due to the repeal of the Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP- 2014 Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2017.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2017.

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since TRIP is financed on a pay-as-you-go basis, a discount rate consistent with fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity's index's "20-year Municipal GO AA Index" has been selected. The discount rates are 2.45% as of June 30, 2020, and 3.13% as of June 30, 2019. The decrease in the single discount rate from 3.13% to 2.45% caused the total OPEB liability to increase by approximately $3,012 million from 2019 to 2020.

5) Net OPEB Liability (continued)

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

During plan year ending June 30, 2020, the trust earned $193,000 in interest, and the market value of assets at June 30, 2020, was a $189 million. Given the low asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set to zero.

Sensitivity of Net OPEB Liability to Changes in the Single Discount Rate

The following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 2.45%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (3.45%) or lower (1.45%) than the current rate:

Sensitivity of Net OPEB Liability as of June 30, 2020, to the Single Discount Rate Assumption			
	1% Decrease (1.45%)	**Current Single Discount Rate Assumption (2.45%)**	**1% Increase (3.45%)**
Net OPEB liability	$32,132,781,190	$26,735,913,154	$22,460,234,381

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the plan's net OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

Sensitivity of Net OPEB Liability as of June 30, 2020, to the Healthcare Cost Trend Rate Assumption			
	1% Decrease (a)	**Healthcare Cost Trend Rates Assumption**	**1% Increase (b)**
Net OPEB liability	$21,503,817,853	$26,735,913,154	$33,808,719,795
(a) One percentage point decrease in healthcare trend rates are 7.25% in 2021 decreasing to an ultimate trend rate of 3.25% in 2037.			
(b) One percentage point increase in healthcare trend rates are 9.25% in 2021 decreasing to an ultimate trend rate of 5.25% in 2037.			

6) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Compensated Absences	$76	$98	$79	$95	$7
Total	$76	$98	$79	$95	$7

7) Pension Plan

The vested full-time employees paid from the THISF may participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2020 are included in the State of Illinois' Comprehensive Annual Financial Report for the year ended June 30, 2020. The SERS issues a separate Comprehensive Annual Financial Report that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' Comprehensive Annual Financial Report. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2020, the employer contribution rate was 54.290%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

8) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, 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 Employees Retirement System do not contribute towards health, dental, and vision benefits.

8) Post-employment Benefits (Continued)

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, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expense by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring, Springfield, Illinois, 62706.

9) Commitments and Contingencies

The Department is a party to numerous legal proceedings, many of which normally occur in the course of operations. These proceedings are not, in the opinion of the Department's legal counsel, likely to have a material adverse impact on the Department's financial position. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another state agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

10) Coronavirus Pandemic Implications

In December 2019, a novel strain of coronavirus surfaced and spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The United States and the State of Illinois declared a state of emergency in March 2020. The June 30, 2020 financial statements reflect the known financial impact of the COVID-19 outbreak and related stay at home orders for fiscal year 2020. The Department anticipates continued impact to its financial position and continues to monitor and evaluate the situation. The extent to which the coronavirus may impact financial activity will depend on future developments, which are highly uncertain and cannot be predicted. New information continues to emerge concerning the severity of the coronavirus and the actions required to contain or treat it, potentially impacting operations and program management.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Unaudited)

Fiscal Year Ending June 30,	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability				
Service Cost	$ 1,207,781,377	$ 1,203,231,213	$ 1,282,452,212	$ 1,684,864,123
Interest on the Total OPEB Liability	730,741,073	895,428,024	921,017,244	820,960,601
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(361,511,693)	(431,808,998)	(94,796,551)	(16,955,687)
Changes of Assumptions	(2,160,325,236)	11,932,136	(1,410,427,032)	(3,564,237,510)
Benefit Payments	(237,466,000)	(260,652,000)	(275,400,000)	(296,480,000)
Net Change in Total OPEB Liability	(820,780,479)	1,418,130,375	422,845,873	(1,371,848,473)
Total OPEB Liability - Beginning	27,745,515,633	26,327,385,258	25,904,539,385	27,276,387,858
Total OPEB Liability - Ending (a)	$ 26,924,735,154	$ 27,745,515,633	$ 26,327,385,258	$ 25,904,539,385
Plan Fiduciary Net Position				
Employer Contributions	$ 232,712,000	$ 226,089,000	$ 208,564,000	$ 210,466,000
Active Member Contributions	133,896,000	130,068,000	119,906,000	111,734,000
Net Investment Income	193,000	397,000	743,000	357,000
Benefit Payments	(237,466,000)	(260,652,000)	(275,400,000)	(296,480,000)
Operating Expenses	(9,472,000)	(10,430,000)	(14,226,000)	(13,790,000)
Other	895,000	1,079,000	1,614,000	2,099,000
Net Change in Plan Fiduciary Net Position	120,758,000	86,551,000	41,201,000	14,386,000
Plan Fiduciary Net Position - Beginning	68,064,000	(18,487,000)	(59,688,000)	(59,415,000)
Plan Fiduciary Net Position - Ending (b)	188,822,000	68,064,000	(18,487,000)	(45,029,000)
Net OPEB Liability - Ending (a) - (b)	$ 26,735,913,154	$ 27,677,451,633	$ 26,345,872,258	$ 25,949,568,385
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.70%	0.25%	-0.07%	-0.17%
Covered-Employee Payroll	$ 10,184,005,548	$ 9,879,265,292	$ 9,600,528,968	$ 9,444,442,000
Net OPEB Liability as a Percentage of Covered-Employee Payroll	262.53%	280.16%	274.42%	274.76%

Note: Information is not available prior to 2017. Additional years will be added to future reports as schedules are intended to show 10 years of historical data.

Plan Fiduciary Net Position was restated from $(45,029,000) as of June 30, 2017 to $(59,688,000) as of July 1, 2017

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
(Unaudited)

Year Ended June 30	Actuarially Determined Contribution*	Statutorily Required Contributions	Contribution (Excess) Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2020	N/A	$ 232,712,000	N/A	$ 10,184,005,548	2.29%
2019	N/A	$ 226,089,000	N/A	$ 9,879,265,292	2.29%
2018	N/A	$ 208,564,000	N/A	$ 9,600,528,968	2.17%
2017	N/A	$ 210,466,000	N/A	$ 9,444,442,000	2.23%
2016	N/A	$ 194,405,000	N/A	$ 9,147,159,000	2.13%
2015	N/A	N/A	N/A	N/A	N/A
2014	$ 1,445,469,000	$ 167,720,000	$ 1,277,749,000	$ 9,340,200,000	1.80%
2013	$ 1,513,939,000	$ 160,706,000	$ 1,353,233,000	$ 9,110,415,000	1.76%
2012	N/A	N/A	N/A	N/A	N/A
2011	$ 1,540,322,000	$ 156,523,000	$ 1,383,799,000	$ 8,791,038,000	1.78%

See accompanying notes to schedule

* Prior to 2016, amounts disclosed as "Actuarially Determined Contribution" are the actuarially determined "Annual Required Contribution" which was calculated biennially under GASB Statement No. 43. For years listed as N/A information to complete the schedule was not available.

For 2016 through 2020, contributions for TRIP are defined by State statute and Actuarially Determined Contributions are not developed. Benefits are financed on a pay-as-you-go basis, based on contribution rates defined by statute. For fiscal year end June 30, 2020, contributions rates are 1.24% of pay of active members, 0.92% of pay for school districts, and 1.24% of pay of the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year cost plus a margin for incurred but not paid plan costs.

Notes to Schedule of Contributions

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Sponsor's Fiscal Year End	June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you go basis. Contribution rates are defined by statute. For fiscal year end June 30, 3020, contribution rates are 1.24% of pay for active members, 0.92% of pay for school districts and 1.24% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation for all plan years.
Inflation	2.50%
Salary Increases	Depends on service and ranges from 9.50% at 1 year of service to 4.00% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2018, actuarial valuation.
Mortality	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. Disabled Annuitants: RP-2014 Disabled Annuitant Table. Pre-Retirement: RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2017.
Healthcare Cost Trend Rates	Trend for fiscal year 2020 based on expected increases used to develop average costs. For fiscal years on and after 2021, trend starts at 8.25% for non-Medicare costs and Medicare costs, and gradually decreases to an ultimate trend of 4.25%. There is no additional trend rate adjustment due to the repeal of the Excise tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

(Unaudited)

	2020	**2019**	**2018**	**2017**	**2016**
Annual money-weighted rate of return, net of OPEB plan investment expense, including inflation	1.732%	2.038%	1.301%	0.678%	0.382%

Note: Information is not available prior to 2016. Additional years will be added to future reports as schedules are intended to show 10 years of historical data.

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

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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

Report on the Financial Statements

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 Teacher Health Insurance Security Fund (Fund) of the State of Illinois, Department of Central Management Services (Department), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and we have issued our report thereon dated May 6, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements of the Fund 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2020-001.

Internal Control Over Financial Reporting

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

In planning and performing our audit of the financial statements, we considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2020-001 that we consider to be a significant deficiency.

Department's Response to the Finding

The Department's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
May 6, 2021

SCHEDULE OF FINDINGS

CURRENT FINDINGS – *Government Auditing Standards*

2020-001. FINDING (Inadequate Review of External Service Providers)

The Department of Central Management Services (Department) did not conduct adequate independent internal control reviews over its external service providers' System and Organization Control (SOC) reports utilized by the Teacher Retirement Insurance Program (Program).

The Department currently receives copies of the SOC reports from nine different external service providers and performs an independent internal control review of each SOC report to determine whether any areas of concern are noted for the Program. In total the Department received 12 SOC reports during the audit period for the Program.

These service providers provide:

- Medical plan coverage and payments
- Claims processing
- Benefits solutions
- Plan administration
- IT hosting

During testing of the 12 SOC reports, we noted the following:

- Twelve of 12 (100%) SOC reports identified Complementary User Entity Controls (CUEC) necessary for the Service Organization's system which relies on the Department to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform an assessment to determine if it had implemented the CUECs for each.

- Nine of 12 (75%) SOC external service provider reports identified additional subservice organizations used by the service organization that were carved out of the SOC report. These subservice organizations required additional CUECs and the service provider relied on the subservice organizations to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform additional assessments on the subservice organizations to determine if the CUECs had been implemented.

2020-001. FINDING (Inadequate Review of External Service Providers) – Continued

- Seven of 12 (58%) SOC reports had qualified opinions due to deficiencies noted by the SOC auditors. The Department did not perform an analysis on whether they could rely on the external service providers' controls due to the deficiencies noted in the SOC reports with qualified opinions. Through our assessment of the types of deficiencies noted by the SOC auditors, and the substantive testing we performed in other areas of our audit, we were able to rely on the testing and assurance provided by the SOC reports.

The National Institute of Standards and Technology (NIST), Special Publication 800-35, Guide to Information Technology Security Services, states the organization should ensure operational success by consistently monitoring service providers and organizational security performance against identified requirements, periodically evaluating changes in risks and threats to the organization and ensuring the organizational security solution is adjusted as necessary to maintain an acceptable security posture. As such, reviews of assessments, audits and inspections should be completed to determine the controls are in place at all vendors, service providers and subservice providers.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal 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 to maintain accountability over the State's resources. Strong management controls, due diligence, and fiduciary responsibility require adequate supervision of external service providers.

Department management stated the Department increased its efforts to improve oversight of its external service providers but was unable to implement a corrective action plan due to the brief amount of time between audit periods.

The SOC reports which include CUECs and subservice organization CUECs specifically assume the user entities will apply complementary controls included in the reports. The system descriptions within the SOC reports are designed considering these controls will be implemented by the user entities and doing so is necessary to fully achieve the control objectives covered by the SOC reports. The failure of the Department to consider the application of the complementary user controls to itself lessens the effectiveness of relying on the SOC reports as an element of its financial reporting internal control structure.

The qualified opinions in the SOC reports indicate deficiencies in the service organizations' control environment, which could potentially impact the Department and result in inaccurate data or the loss of data. (Finding Code No. 2020-001)

2020-001. FINDING (Inadequate Review of External Service Providers) – Continued

RECOMMENDATION

We recommend the Department:

- Monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Department's operations.
- Either obtain and review SOC reports for subservice organizations, if applicable to the Department's internal control environment, or perform alternative procedures to satisfy itself the usage of the subservice organizations would not impact the Department's internal control environment. Such review and procedures should be documented.
- Document its review of the SOC reports and review all significant issues with third-party service providers and subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Department, and any compensating controls.

DEPARTMENT RESPONSE

While all service providers' SOC reports were reviewed by the Department and Illinois Department of Innovation and Technology (DoIT), the Department agrees additional assessments on Complementary End User Controls (CEUCs), subservice organizations and qualified opinions, as identified in the audit, were not properly documented. The Department has worked with DoIT and our external service providers to update our SOC review process and documentation to address the concerns identified in the audit. The new process includes the following:

1) SOC reports are sent to the DoIT Compliance team, who then completes an initial review for each SOC report;
2) A call is scheduled to discuss, assess and document the risk of any opinions, identify subservice organizations and ensure CEUCs are in place;
3) When needed, follow-up meetings are held with the service provider and artifacts are provided to DoIT;
4) DoIT sends the documented SOC review to the Department for approval and signoff; and
5) Completed forms are retained by DoIT Compliance and the Department.

2020-001. FINDING (Inadequate Review of External Service Providers) – Continued

The Department works closely with external service providers to ensure internal controls are in place including a strong monitoring framework for 3rd party vendors. Monitoring of the vendors' service measures is done regularly through a multi-layer approach to take the appropriate action to reduce, mitigate, and manage the risk of an incident impact on the Department's financial statements. Contractually, external service providers are required to report on service measures and meet performance standards, called performance guarantees, and any deficiencies are reported and are remediated with the vendors as soon as possible. These measures may include claim processing accuracy, claim payment accuracy and financial accuracy, as well as claim timeliness, and customer service. In addition, quarterly eligibility audits are required by each vendor – reconciling enrollments between our system of record and our 3rd party vendors, to ensure we are paying premiums or administrative fees and claims for the correct members. Rates are confirmed internally with procurement against contracts to ensure they match, rates are loaded into our system of record and verified prior to the effective date, and rates in carrier payment reports (self-billing reports from which payments are made) are checked in the period when new rates are introduced, to ensure we are paying the correct amounts. Carrier payment reports are accompanied each month by a separate file that details the successful Quality Assurance reporting for that month on the carrier payment reports, to ensure the reports have generated correctly. These administrative controls provide the Department with assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for, mitigating the risk of an incident impacting the Department's financial statements.