

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE**

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

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

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

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**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**AGENCY OFFICIALS**

**Director**

Through January 11, 2015  
January 12, 2015 to present

Andrew Boron  
James Stephens, Acting

**Chief Deputy Director**

Through August 5, 2012  
August 6, 2012 to August 4, 2014  
August 5, 2014 to January 31, 2015  
February 1, 2015 to present

James Stephens, Acting  
Michele Oshman  
Lysa Saran, Acting  
Vacant

**Chief Fiscal Officer**

Jane Bachman

**Chief Legal Counsel**

July 2012 to July 27, 2014  
July 28, 2014 to January 31, 2015  
February 1, 2015 to present

Mary L. Smith  
Amanda Kimble  
Vacant

**Deputy Director, Financial Corporate Regulatory**

Through February 2013  
March 2013 to May 2014  
June 2014  
July 2014 to January 31, 2015  
February 1, 2015 to present

Etta Mae Credi  
Douglas Harrell  
Vacant  
Cynthia Bordelon  
Vacant

**Deputy Director, Producer Regulatory/P&C Products**

James Stephens

**Deputy Director, Health Products**

Through August 2012  
September 2012 to present

David Grant, Acting  
Yvonne Clearwater, Acting

**Deputy Director, Life and Annuities Products**

Through January 31, 2015  
February 1, 2015 to present

Cindy Colonius, Acting  
Michael Chrysler

**Deputy Director, Public Pension**

Travis March

**Deputy Director, Director of Information Technology**

Through February 23, 2014  
February 24, 2014 to February 6, 2015  
February 7, 2014 to present

Kurt Wellbaum  
Jon Skinner  
Vacant

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**AGENCY OFFICIALS** (Continued)

**Deputy Director, Legislative Affairs**

Through January 10, 2014

January 11, 2014 to January 26, 2014

January 27, 2014 to January 31, 2015

February 1, 2015 to present

Melissa Hansen

Vacant

Brianna Lantz

Jeffery Scott

**Chief Internal Auditor**

February 1, 2013 to December 5, 2014

December 6, 2014 to present

Jennifer Boen

Vacant

**Internal Auditor**

Through March 2014

April 2014 to October 31, 2014

November 1, 2014 to present

Edward Schofield

Vacant

Gregory Bishop

Agency offices are located at:

320 West Washington Street  
Springfield, IL 62786

122 South Michigan Avenue, 19<sup>th</sup> Floor  
Chicago, IL 60603



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

JAMES A. STEPHENS  
Acting Director

March 5, 2015

E. C. Ortiz & Co., LLP  
333 S. Des Plaines Street, Suite 2-N  
Chicago, Illinois 60661

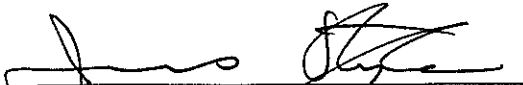
Ladies and Gentlemen:


We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Insurance. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Department of Insurance's compliance with the following assertions during the two-year period ended June 30, 2014. Based on this evaluation, we assert that during the years ended June 30, 2014 and June 30, 2013, the State of Illinois, Department of Insurance materially complied with the assertions below.

- A. The State of Illinois, Department of Insurance has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Insurance has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Insurance has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Insurance are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Insurance on behalf of the State or held in trust by the State of Illinois, Department of Insurance have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

State of Illinois, Department of Insurance

  
James Stephens, Acting Director

  
Jane Bachman, Chief Fiscal Officer

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
	9	10
Repeated findings	5	3
Prior recommendations implemented or not repeated	5	-

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2014-001	11	Noncompliance with the requirements of the Workers' Compensation Act	Significant deficiency and Noncompliance
2014-002	13	Noncompliance with the requirements of the Illinois Pension Code	Significant deficiency and Noncompliance
2014-003	15	Noncompliance with the requirements of the Illinois Insurance Code	Significant deficiency and Noncompliance
2014-004	17	Failure to perform employee performance evaluations in a timely manner	Significant deficiency and Noncompliance

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**SCHEDULE OF FINDINGS** (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-005	19	Lack of segregation of duties over processing of insurance privilege tax refunds	Significant deficiency and Noncompliance
2014-006	21	Required reports not filed timely and accurately	Significant deficiency and Noncompliance
2014-007	23	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant deficiency and Noncompliance
2014-008	25	Issues during scoring proposals	Significant deficiency and Noncompliance
2014-009	29	Lack of controls over expenditures	Significant deficiency and Noncompliance

**PRIOR FINDINGS NOT REPEATED**

A	34	Noncompliance with the requirements of the Health Carrier External Review Act
B	34	Timesheets not maintained in compliance with the State Officials and Employees Ethics Act
C	34	Noncompliance with the Internal Auditing Standards
D	35	Inadequate documentation and monitoring of awards and grants
E	35	Failure to comply with the Identity Protection Act



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**SCHEDULE OF FINDINGS** (Continued)

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 27, 2015. Attending were:

Representing the Illinois Department of Insurance

Mr. James Stephens	Acting Director
Ms. Anne Marie Skallerup	Deputy General Counsel
Mr. William Blumthal	Deputy Director – Workers’ Compensation Fraud Unit
Mr. Michael P. Rohan	Deputy Director – Consumer Education and Protection
Mr. Travis March	Deputy Director – Public Pension
Ms. Yvonne Clearwater	Acting Deputy Director – Health Products
Ms. Cindy Colonius	Assistant Deputy Director – Life and Annuity Product Compliance Section
Mr. Jim Rundblom	Deputy General Counsel
Ms. Jane Bachman (via telephone)	Chief Fiscal Officer
Mr. Gregory Bishop	Internal Auditor
Mr. Mark Chudzinski (via telephone)	Legal Counsel – Health Insurance Marketplace
Ms. Monica Brar (via telephone)	Director of Finance – Health Insurance Marketplace

Representing the Executive Ethics Commission/Chief Procurement Office – General Services

Mr. Craig Williams II	Chief Information/Compliance Officer
Mr. Geno Marchizza	Procurement Compliance Monitor
Mr. Matt Brown	Chief Procurement Officer
Ms. Margaret van Dyk	Senior Policy Advisor

Representing the Office of the Auditor General

Mr. Paul Usherwood	Audit Manager
Mr. Joe Butcher	Audit Manager

Representing E.C. Ortiz & Co., LLP

Mr. Edilberto Ortiz	Partner
Ms. Gilda Priebe (via telephone)	Partner
Ms. Elda Arriola	Manager

Responses to the recommendations were provided as follows:

Mr. James Stephens, Acting Director, Department of Insurance on March 4, 2015.

Mr. Craig Williams II, Chief Information/Compliance Officer, Ethics Commission/Chief Procurement Office – General Services on March 4, 2015.



INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Insurance's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2014. The management of the State of Illinois, Department of Insurance is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Insurance's compliance based on our examination.

- A. The State of Illinois, Department of Insurance has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Insurance has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Insurance has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Insurance are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Insurance on behalf of the State or held in trust by the State of Illinois, Department of Insurance have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation

engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Insurance's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Insurance's compliance with specified requirements.

In our opinion, the State of Illinois, Department of Insurance complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2014-001 to 2014-009.

### **Internal Control**

Management of the State of Illinois, Department of Insurance is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Insurance's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Insurance's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Insurance's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2014-001 to 2014-009, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Department of Insurance's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Insurance's responses and, accordingly, we express no opinion on the responses.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2014 and June 30, 2013 in Schedules 1 through 13 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 and June 30, 2013 accompanying supplementary information in Schedules 1 through 13. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2012 accompanying supplementary information in Schedules 3 through 8, 10, and 11 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management and is not intended to be and should not be used by anyone other than these specified parties.

*E. C. Altis & Co., LLP*

Chicago, Illinois  
March 5, 2015

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE**

2014-001.     **FINDING** (Noncompliance with the Requirements of the Workers’ Compensation Act)

The Department of Insurance (Department) did not fully comply with the requirements of the Workers’ Compensation Act.

The Workers’ Compensation Fraud Unit (WCFU) has not procured and implemented a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse.

In addition, the Department has not established a document retention policy regarding reports of workers’ compensation fraud specifically requiring the Department to destroy any investigations that are not referred for prosecution upon the expiration of the statute of limitations for the acts under investigation.

The Workers’ Compensation Act (820 ILCS 305/25.5(e-5)) requires the fraud and insurance non-compliance unit to procure and implement a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse on or before January 1, 2012.

The Workers’ Compensation Act (820 ILCS 305/25.5(e)) requires that investigations that are not referred for prosecution shall be destroyed upon the expiration of the statute of limitations for the acts under investigation and shall not be disclosed except that the person making the report shall be notified that the investigation is being closed.

The State Records Act (5 ILCS 160/17) states that no record shall be disposed of by any agency of the State, unless approval of the State Records Commission (Commission) is first obtained. In addition, the State Records Act (5 ILCS 160/18) requires the head of each agency to submit to the Commission, in accordance with the regulations of the Commission, lists or schedules of records in the agency’s custody and the agency’s proposal for the length of time each record series warrants retention for administrative, legal or fiscal purposes after it has been created or received by the agency.

Department management stated that no system for the detection and prevention of fraud waste and abuse has been procured due to the following: (1) no appropriation has been made specifically for this purpose, (2) the Department did not have data regarding individual claims, and (3) the Act did not contemplate available, accurate data for use with such a system. The failure to establish a document retention policy is due to oversight.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Failure to procure and implement the advanced analytics system is noncompliance with a statutory requirement and hinders the Department's ability in the detection and prevention of fraud, waste, and abuse. In addition, failure to establish a document retention policy for reports of workers compensation fraud may lead to records being retained longer or destroyed prior to statutory required dates. (Finding Code Nos. 2014-001, 12-1)

**RECOMMENDATION**

We recommend the Department (1) either procure and implement a system utilizing advanced analytics or seek a legislative change, and (2) establish procedures and develop a document retention policy related to workers compensation investigations for submission with the State Records Commission to ensure compliance with the Act.

**DEPARTMENT RESPONSE**

The Department concurs with this finding. The Department issued a Request for Information (RFI) regarding a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse (advanced analytics system) in 2012. The responses to the RFI did not assist the Department in procuring the advanced analytics system. The Department is again analyzing the viability of such a system given the near complete lack of information available to the Department for analysis by such an advanced analytics system. Moreover, the Department has recommended in the Workers' Compensation Fraud Unit's 2013 and 2014 Annual Reports that were submitted to the Governor, General Assembly, Attorney General, and others, that the advanced analytics system requirement be removed from Section 25.5(e-5) of the Illinois Workers' Compensation Act.

The Department is currently working with the Secretary of State Archives Division to establish an approved records retention policy that complies with Section 25.5(e) of the Illinois Workers' Compensation Act.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-002.     **FINDING** (Noncompliance with the Requirements of the Illinois Pension Code)

The Department of Insurance (Department) did not fully comply with the requirements of the Illinois Pension Code (Code).

During testing, auditors noted the Public Pension Division did not perform required examinations of police and firefighters pension funds once every three years as required.

As of June 30, 2014, there were 657 police and firefighters pension funds that are required to be examined once every three years. As a result of testing auditors noted:

- 128 (19%) have been examined on two occasions since 2004. The second examination occurred between 4 and 10 years after the first examination.
- 480 (73%) have been examined on one occasion since 2004.
- 23 (4%) pension funds were currently under examination as of the audit period. Twenty-two of the 23 were second examinations since 2004.
- 18 (3%) pension funds eligible for an examination have never been examined. The 18 pension funds were formed between 2007 and June 30, 2011.

The Pension Code (Code) (40 ILCS 5/1A-104(a)) states that the Public Pension Division shall make periodic examinations and investigations of all pension funds. Section 1A-104(b) of the Code states that the Public Pension Division shall examine or investigate each pension fund established under Article 3 (Police) or Article 4 (Firefighters) of this Code once every 3 years.

Department management indicated the Legislature did not provide an increase in the compliance fee to meet the three-year examination cycle when Public Act 95-0950 became law on August 29, 2008. Department management noted the Division has a headcount allocation for eight examiners and estimates 17 field auditors would be required to examine all 657 pension funds every three years, at a cost of \$1.6 million. To provide sufficient resources to meet the mandate, the Department indicated it would, at a minimum, need to double the current compliance fee or establish an examination assessment during the examination year. Further, Department management indicated they sought to include an increase in the public pension compliance fee as part of their 2013 and 2014 legislative agenda.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Failure to perform the required examination of a pension fund every three years results in the Department not being able to fully monitor that pension funds are in compliance with the Pension Code. (Finding Code Nos. 2014-002, 12-2)

**RECOMMENDATION**

We recommend the Department allocate sufficient resources to perform the pension fund examinations every three years as required by the Pension Code.

**DEPARTMENT RESPONSE**

The Department concurs with the finding and will continue to seek legislation to either provide the resources needed to fully implement the three year compliance audit cycle or to modify the examination requirement as contained in 40 ILCS 5/1A-104(b).



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-003. **FINDING** (Noncompliance with the Requirements of the Illinois Insurance Code)

The Department of Insurance (Department) did not fully comply with the requirements of the Illinois Insurance Code. Specifically auditors noted the following:

- During testing of life, accident and health policy forms filed with the Department through the System for Electronic Rate and Form Filing as of June 30, 2014, auditors noted 34 of 242 filings (14%) were pending Department review or awaiting final approval or denial beyond the 60-day requirement. The policies were waiting for approval or disapproval between one to 1,434 days later than the required 60 days timeline.

The Illinois Insurance Code (Code) (215 ILCS 5/143(1)) requires the Director to approve or disapprove life, accident and health policy forms within 60 days after submission unless the Director extends by not more than additional 30 days the period within which he shall approve or disapprove any such form by giving written notice to the insurer of such extension before expiration of the initial 60 days period.

- During testing of 25 surplus line producer semi-annual tax statements, the auditors noted the following:
  - The Department did not correctly assess the penalty for 4 (16%) tax returns. The penalties for two of the returns were underpaid by \$3,604 and the other two were still outstanding for a total of \$3,600.
  - The Department failed to issue the penalty invoice for non-filing for one (4%) surplus line producer semi-annual tax statement amounting to \$2,000.

For certain returns the Code (215 ILCS 5/412(2)) requires the Department to add as a penalty \$400 or 10% of the amount of such tax, whichever is greater, for each month or part of a month of failure to file, the entire penalty not to exceed \$2,000 or 50% of the tax due, whichever is greater. The surplus line producer semi-annual tax statement form indicated the following penalties: (a) penalty for failure to file tax statement (\$400/month or 10% of tax, whichever is greater), (b) penalty for failure to pay tax (10% of tax due) and (c) interest on tax paid after due date (Current IRS rate: Minimum rate 12% per annum).

- In testing refunds, auditors noted that written requests for the refund of overpayment for two of 25 (8%) companies tested were not paid within 120 days after receipt of the request. These refunds were paid 23 and 27 days after the 120 days requirement of the statute.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

The Code (215 ILCS 5/412(1)(a)) requires the Director to provide a cash refund within 120 days after receipt of the written request if all necessary information has been filed with the Department in order for it to perform an audit of the annual return for the year in which the overpayment occurred or within 120 days after the date the Department receives all the necessary information to perform such audit.

Department management stated due to staffing issues, policy forms were not being approved or disapproved within the required timeframe and deadlines for payment of requests for refunds of overpayment have not been met. Department management further stated the failure to correctly assess the penalty was a result of human error and current cash receipts computer program that requires manually inserting additional penalty and/or interest charges on an existing invoice as the charges accrue.

By not approving or disapproving life, accident, or health insurance policy forms in a timely manner as required by the Illinois Insurance Code, insurance companies' distribution of their products to the market may be delayed. Failure to invoice and correctly assess penalties on late and non-filing of tax returns results in a loss of State revenue as well as under utilizing a tool to enforce prompt filing. In addition, failure to timely pay refund requests delays the ability of the entity receiving the refund to have timely use of the money. (Finding Code Nos. 2014-003, 12-3, 10-1, DFPR 08-15, DFPR 07-14, DFPR 06-24)

**RECOMMENDATION**

We recommend the Department comply with the statutory requirements of the Insurance Code.

**DEPARTMENT RESPONSE**

The Department concurs with the finding, but acknowledges it is unrealistic to accomplish with the current Cash Receipts (CR) cash management system. The CR system is not designed to insert additional charges of penalty and interest on existing outstanding invoices. The Department is developing a new Account Management System (AMS) that will be able to perform the function of inserting additional charges of penalty and interest. The timeframe in which the AMS program will be implemented is indeterminate. The Department further concurs that cash refunds should be processed in a timely manner. This finding has been mitigated by the replacement of retired staff.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-004. **FINDING** (Failure to Perform Employee Performance Evaluations in a Timely Manner)

The Department of Insurance (Department) did not perform employee performance evaluations in a timely manner.

During testing of the performance evaluations for 40 employees during fiscal years 2013 and 2014, the following exceptions were noted:

- Two (5%) performance evaluations for the period tested were not performed. One of the two performance evaluations pertain to fiscal year 2013 and the other one was for fiscal year 2014.
- Fifteen (38%) performance evaluations were performed and submitted after the due dates. The time elapsed from the due date to the performance review approval ranged from three to 370 days.

During the prior examination, 19 performance evaluations were not performed and eight performance evaluations were submitted late. In the prior finding response, management stated the Department would work with the Administrative and Regulatory Shared Services Center to develop an evaluation system which will provide notifications to Department supervisors for evaluations due. Although the Department implemented a corrective action plan, current testing showed the Department did not complete performance evaluations for all employees in a timely manner.

The Illinois Administrative Code (Title 80, Subtitle B, 302.270) requires that performance records shall include an evaluation of employee performance prepared by each agency on prescribed forms and that each agency shall prepare an employee performance evaluation for a certified employee not less often than annually.

In addition, prudent business practices require employee performance evaluations to be performed to communicate to employees the strengths and deficiencies in meeting their job responsibilities.

Department management stated that it is always the intent of the Department to comply with the performance evaluation timeframes by continually stressing to the supervisors the importance of the evaluations being completed in a timely manner. In late fiscal year 2014, a new system for tracking evaluations was put into place and the supervisor of the field staff was pulled out of the field into the office to complete all late evaluations. However, Department management stated the exceptions noted above were due to oversight.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvements and current year's performance goals and objectives may not be identified and communicated in a timely manner. Furthermore, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code Nos. 2014-004, 12-6, 10-2)

**RECOMMENDATION**

We recommend the Department comply with the Administrative Code and perform annual performance evaluations for all employees in a timely manner.

**DEPARTMENT RESPONSE**

The Department concurs with this finding and will continue to notify supervisors/managers of evaluation due dates.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-005.     **FINDING** (Lack of Segregation of Duties Over Processing of Insurance Privilege Tax Refunds)

The Department of Insurance (Department) did not have proper segregation of duties over processing of insurance privilege tax refunds.

Of the 25 tax refund vouchers tested, 23 (92%) vouchers represented insurance privilege tax refunds. Auditors noted there is only one employee who receives the requests for insurance privilege tax refunds, reviews and prepares the refund authorization memo, and approves the refund for payment. The same employee also maintains and updates the Department records on insurance privilege taxes. The individual amounts of insurance privilege tax refunds vouchers tested during the current examination ranged from \$6,753 to \$250,000.

In the prior finding response, management stated the Department added another employee to be involved with the processing of insurance privilege tax refunds which would provide additional segregation of duties and also had implemented an additional approval level for the issuance of these refunds. During the current examination period, it was determined the same condition exists where only one employee receives, reviews, prepares and approves insurance privilege tax refunds.

Good internal controls require proper segregation of duties over authorization of transactions, recording in the accounting system, and custody of related assets to minimize the risk of fraud due to fraudulent financial reporting or misappropriation of assets.

Fiscal Control and Internal Auditing Act 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management stated the new staff person processing the privilege tax refunds was not informed of the additional approval level during their training for the position.

The lack of proper segregation of duties allows an employee to hold incompatible duties that may provide an opportunity to perpetrate fraud and not be detected by the Department in a timely manner. (Finding Code Nos. 2014-005, 12-9)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**RECOMMENDATION**

We recommend the Department ensure there is proper segregation of duties by allocating sufficient staff to process, review, approve and record tax refunds.

**DEPARTMENT RESPONSE**

The Department concurs with this finding and the recommendation regarding the segregation of duties and has implemented an additional level of approval authority to the privilege tax refund process.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-006. **FINDING** (Required Reports not Filed Timely and Accurately)

For two statutorily required reports the Department of Insurance (Department) did not timely file one report and included inaccurate information in another report.

During testing, the following exceptions were noted:

- The amount of fees reported on the Agency Fee Imposition Reports did not agree with the Department's records. For the fiscal year 2013 Agency Fee Imposition Report, 12 of 14 (86%) fees reported did not agree with Department's records. The effect of the differences resulted in the Department overstating reported fees for fiscal year 2013 by \$48.602 million. For fiscal year 2014, after filing of the report with the Office of the Comptroller, the Department was advised of discrepancies in their report. The Department subsequently revised their fiscal year 2014 report.

The State Comptroller Act (15 ILCS 405/16.2(a)) requires a State agency that imposes fees to file the Agency Fee Imposition Report with the Office of the Comptroller.

Statewide Accounting Management System (SAMS) (Procedure 33.16.10) states the Agency Fee Imposition Report Form shall provide for the reporting by State agencies of the amount of revenue generated, among others. In addition, good internal controls require an agency to review all reports prepared from internal records for accuracy before submission.

- The Department did not timely submit the Agency Workforce Report for fiscal year 2012 with the Office of the Governor and Secretary of State. The Agency Workforce Report is due by January 1 each year. The fiscal year 2012 Agency Workforce Report was submitted to the Office of the Governor on January 14, 2013, and to the Secretary of State on January 16, 2013, 13 days and 15 days late, respectively. In addition, the Department did not accurately report the information on persons employed within the agency work force as professionals in the fiscal years 2013 and 2012 Agency Workforce Reports. The Department reported 187 of 246 (76%) employees as professional in its fiscal year 2012 Agency Workforce Report and 180 of 241 (75%) employees in its fiscal year 2013 report.

The State Employment Records Act (5 ILCS 410/15(a)(v)) requires State agencies to report the information on the total number of persons employed within the agency work force as professionals, and the number and percentage of minorities, women, and physically disabled persons

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

employed within the agency work force as professional employees. In addition, the State Employment Records Act (5 ILCS 410/10(e)) defines a professional employee as a person employed to perform employment duties requiring academic training, evidenced by a graduate or advanced degree from an accredited institution of higher education, and who, in the performance of those employment duties, may only engage in active practice of the academic training received when licensed or certified by the State of Illinois.

Department management stated the exceptions noted above were due to the following: a) inaccuracies in the Agency Imposition Fee reports were due to oversight, b) the Department is under the Administrative and Regulatory (A&R) Shared Services and relies upon them to fill out the Agency Workforce Report. A&R Shared Services fills out the workforce report consistently among all the agencies that are part of A&R Shared Services and method used to classify employees is consistent with the Department of Central Management Services job classification system.

Failure to accurately and timely submit statutorily required reports prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions since information was not available. (Finding Code No. 2014-006)

**RECOMMENDATION**

We recommend the Department strengthen its controls over submission of required Agency reports by ensuring reports are accurate and filed in a timely manner.

**DEPARTMENT RESPONSE**

The Department concurs with this finding and will provide timely reports and comply with the new definition of “professional” employees in future reports.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-007. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Insurance (Department's) internal auditing program did not fully comply with the Fiscal Control and Internal Auditing Act (FCIAA).

During testing, auditors noted there is no formal approved internal audit plan in fiscal year 2013, thus no audits were performed. The Department hired a Chief Internal Auditor in February 2013 who developed a two-year internal audit plan covering the period FY2014 - FY2015. During fiscal year 2014, there were nine specific internal operational and program audits and reviews included in the audit plan. Testing of the completed audits disclosed that the internal audit plan was not fully implemented. Only three of the nine proposed audits were completed during fiscal year 2014. In addition, auditors also noted there were no audits relating to internal accounting and administrative controls for grants received or made by the Agency completed during the last two years and there were also no reviews of the design of major new electronic data processing systems and major modifications of those systems completed.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003) requires the internal auditing program to include audits of major system of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. The audits must include grants received or made by the State agency to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations. The FCIAA also requires the internal auditing program to include reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Department management stated the condition noted above was due to staffing issues in the Department.

The major areas of internal control must be audited timely to maintain an effective internal control system. Failure to perform regular audits of major systems of accounting and administrative controls and review of the design of major new electronic data processing systems and major modifications of those systems before their installation may result in weakness in internal control not being timely detected. (Finding Code No. 2014-007)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**RECOMMENDATION**

We recommend the Department ensure compliance with FCIAA by allocating sufficient staff to complete audits of major system of internal accounting and administrative control to be conducted on a periodic basis so that all major systems are reviewed at least once every two years.

**DEPARTMENT RESPONSE**

The Department concurs with this finding and will request additional staff to complete audits of major system of internal accounting and administrative control to be conducted on a periodic basis so that all major systems are reviewed at least once every two years.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-008.     **FINDING** (Issues During Scoring of Proposals)

The procurement of the Illinois Health Insurance Marketplace marketing and outreach campaign had several issues during the scoring of the proposals.

In April 2013, the Department of Insurance (Department) issued a Request for Proposals for the Illinois Health Insurance Marketplace marketing and outreach campaign. Proposals were opened May 8, 2013 and there were 12 responsive proposers. A five-person evaluation team scored the technical proposals, which included the written proposals and oral presentations, while a sixth individual conducted reference checks. The \$33 million contract was awarded in July 2013.

During testing of the procurement, auditors found several issues with the scoring of the proposals.

- **Evaluation committee meetings** – The procurement file did not contain adequate documentation of who attended evaluation committee meetings. The evaluation committee was established to analyze and score the vendors’ technical proposals. Instructions provided to the evaluation team required team members to attend all meetings. Officials at both the Department and the Chief Procurement Office for General Services (CPO) stated that all members of the evaluation committee attended all meetings. However, the procurement file did not document attendance. Documenting evaluation committee meetings would provide evidence that committee members complied with the Department’s requirement that members attend all evaluation committee meetings.
  
- **Reference checks** – Reference checks were not completed for six of 11 vendors because references failed to respond when contacted. (One of the 12 vendors did not provide references.) Each vendor was required to provide four references. References were worth 35 points of the 600 points available for the written proposals.

While proposals were opened May 8, 2013, reference checks did not begin until May 28. Reference checks were part of the phase I portion of the evaluation and had to be completed prior to vendor presentations. Because of the late start date and the timing of vendor presentations, reference checks were only given one week for completion. On June 4, the Department sent letters to vendors who advanced to the vendor presentation phase.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

In six instances, reference checks for all four of a vendor's references were unable to be completed. For one vendor, only one of the vendor's four reference checks was completed. There were notes in the file indicating that contact was attempted for the incomplete reference checks but the notes were not always conclusive. Notes on one incomplete reference check stated that voice mails were left on two successive days. The individual's assistant called back saying he was out of the office and provided an alternate person to contact. However, there were no other notes to indicate if further contact was attempted.

Vendors were penalized when the Department was unable to complete the reference checks. In the above example, the one completed reference received a perfect score of 35. However, scores of zero were used for the three uncompleted reference checks which resulted in an average score of 8.75. An alternative method would be to base scoring only on completed reference checks.

The Department indicated there was no policy in place on how to handle reference checks when references fail to respond. Officials stated they relied on advice from the State Purchasing Officer at the Chief Procurement Office for General Services (CPO).

CPO officials stated that while no policy is in place, some procurements are more specific on the reference check requirements making the vendor responsible for ensuring the references will be available and responsive. Officials stated ignoring unresponsive references could penalize vendors that provided four responsive vendors compared to a vendor that was unable to do so.

- **Scoring tabulation** – Five of the 12 scoring summaries contained minor errors in tabulating the scoring of technical proposals. In the largest discrepancy noted, a score of 370 for one section was incorrectly listed as 365 in the summary section. The score for another section of 206.4 was incorrectly listed as 206 in the summary section. This resulted in the vendor's total score of its technical proposal being recorded as 684.95 which was 5.4 points less than its correct score of 690.35.

While none of the errors had a material effect on the final rankings or on other decisions to eliminate vendors, the failure to detect the errors is indicative of a breakdown in the internal controls over final scoring tabulation.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

- **Pricing Component** – The points for the media buying commission portion of the pricing score were calculated incorrectly. The Request for Proposals required vendors to submit commission rates for five different media buy levels (ranging from \$5 million to \$25 million). Maximum points would be awarded to the vendor with the “lowest average Total Media Buying Fee.” This would be derived by calculating the fee for each buying level and then averaging those amounts.

However, the Department averaged the commission rate percentages instead of the media buying fees. This resulted in slightly different scores. For example, one vendor’s score would have decreased by 4.3 points while another vendor’s score would have increased by 4.7 points.

In addition, the points assigned to the two pricing components in the Request for Proposal were not reflective of the total cost to the State represented by each component (i.e. the component with most cost to the State was assigned less points than the component that had the least cost to the State.) Officials stated that the media buying commission (155 points) was weighted higher than hourly rates (95 points) because the media buy was going to be the bigger part of the contract. In the resulting contract, the total cost of the media buying section was \$17.2 million. However, only a fraction of that total cost went towards commissions. The bulk of the \$17.2 million was actual media buys which would have been similar for any vendor that won the contract. Based on the winning vendor’s commission rate, auditors calculated the cost of commissions to be approximately \$0.6 million. Comparatively, the hourly rates section included a total of 39,845 hours for a total cost of \$9.1 million. As a result of the point structure contained in the Request for Proposals, the vendor with the highest hourly rates but lowest media buying commission was awarded the contract.

The Department stated it conducted this procurement under the oversight of the Chief Procurement Office and followed the policies and procedures outlined by the CPO’s Office, State Purchasing Officer, and Procurement Compliance Monitor. The Department further stated there was no violation of the Procurement Code or procurement rules in awarding the contract to the awardee.

Strong internal controls over the scoring of proposals are important to ensure accuracy and to document all requirements are followed. (Finding Code No. 2014-008)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**RECOMMENDATION**

We recommend the Department and the Chief Procurement Office for General Services closely examine and adequately test the scoring elements in Request for Proposals to ensure the winning proposal will be the most advantageous to the State. We also recommend the Department and Chief Procurement Office for General Services examine their procedures for scoring proposals and make any needed additions or changes to improve the controls over the scoring process.

**AGENCY RESPONSES**

Department of Insurance:

The Department concurs and welcome the auditor's recommendations noted in the finding. This procurement was conducted under the oversight of the Chief Procurement Office (CPO) and followed the policies and procedures outlined by the CPO's Office, State Purchasing Officer and Procurement Compliance Monitor. There was no violation of the Procurement Code or procurement rules and the recommendations noted did not compromise the outcome of the awarding of this contract. The Department will continue to strive to adequately ensure Department's procurements are conducted with the utmost integrity.

Chief Procurement Office – General Services

The Chief Procurement Office agrees the scoring elements in Requests for Proposals should be closely examined and tested to ensure winning proposals are most advantageous to the State. The CPO further agrees to examine the procedures it establishes for scoring proposals and to determine whether additions or changes to improve the controls over the scoring process are necessary.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

2014-009.     **FINDING** (Lack of Controls over Expenditures)

The Department of Insurance (Department) did not exercise adequate controls over expenditures for the contract of the Illinois Health Insurance Marketplace marketing and outreach campaign.

On July 12, 2013, the Department awarded a contract to implement the Illinois Health Insurance Marketplace marketing and outreach campaign. The purpose of the contract was to educate and prepare Illinois consumers for the new coverage opportunities available under the Affordable Care Act. The contract totaled \$33 million for a one year term beginning August 16, 2013. According to the Department, the total amount expended was \$28.9 million.

The contract allowed the vendor to bill for three basic types of costs:

- **Hourly Rates** – The vendor could bill at four different hourly rates ranging from \$158 – \$282. The contract contained a total of 39,845 hours for a total cost of \$9.1 million. The actual amount spent totaled \$10.6 million which included the cost of a work plan submitted at the beginning of the contract.
- **Media Buying and Media Buying Commission** – The vendor was to arrange for the media buys and receive a commission on the total media purchased. The commission rate was 3 percent up to a buy level of \$20 million and then it dropped to 2.75 percent. The total cost in the contract for media buys including commissions was \$17.2 million while the actual amount spent totaled \$13.2 million.
- **Direct Costs** – The vendor could bill for certain direct costs such as production costs for television commercials and the costs to conduct focus groups. The contract required that direct costs be pre-approved by the Department. The contract estimated direct costs to be approximately \$7 million while the actual amount spent totaled \$5.1 million.

Auditors examined expenditures incurred during fiscal year 2014 related to the contract and noted the following issues:

- **Travel and other expenditures** – The Department allowed the vendor to bill for travel and other related expenditures even though the request for proposals (RFP) specified bills for those expenses were not allowed. This point was made clear by the Department in responding to two different questions from vendors prior to the submission of proposals. Answers to vendor questions were published as addendums to the RFP.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

- **Question:** “Are travel expenses allowed?”  
**Answer:** “Travel expenses cannot be billed separately and must be included in the Blended Hourly Rate.”
- **Question:** “Are supplies, travel and other incidentals (meals, etc.) incurred during program implementation permitted as Direct Costs?” **Answer:** “No. Travel and associated expenses cannot be billed separately and must be included in the Blended Hourly Rate.”

The RFP section in question was as follows:

**EXPENSES ALLOWED:** Expenses  are not allowed  are allowed as follows: unless otherwise agreed upon. Any approved travel expenses shall be reimbursed in accordance with the Travel regulation Council and Governor’s Travel Board rules.

The Department’s responses to the vendor questions made it clear that expenses could not be billed separately. The resulting contract contained the same section above that was in the RFP. However, a different section of the contract conflicted with the Department’s stated position on allowing expenses. Appendix A of the contract, which contained the pricing schedule, stated the vendor would be allowed to bill the State for reasonable out of pocket and incidental expenses.

According to the Department, the State reimbursed the vendor for travel and other related expenses totaling \$11,628. When asked why expenses were allowed when it was previously stated they would not be allowed, the Department did not provide a response.

- **Direct Costs** – Auditors noted there was no supporting documentation to indicate that all direct costs were pre-approved as required in the contract. Auditors asked the Department to provide supporting documentation to show direct costs were pre-approved for nine specific examples from the expenditure testing.

The Department was able to provide supporting documentation showing pre-approval for 1 of the 9 examples. For three of the direct costs, the Department’s response stated that the approval was done verbally. For an additional three items, the Department’s response stated that the expenses were included as a subcontractor in the original contract. For those six examples, as well as the remaining two examples, the Department was unable to provide any supporting documentation.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

In responding to our request, the Department stated: “Neither the Contract, nor the subsequently approved Work Plan, required or anticipated that the HIM team would be pre-approving each and every granular Direct Cost incurred by the vendor and its subcontractors.” However, the contract explicitly required that direct costs be pre-approved by the Department.

- **Hourly Rates** – The contract lacked controls over which individuals could charge at the various hourly rates. The contract did not contain a requirement to get formal approval for team members which would have ensured only approved individuals could bill at the various hourly rate levels. The Department stated billing rates were based on roles, not individual’s names.

The Department provided a grid that showed the description of each billing category and a list of roles and titles whose time would be billed under each category. However, there were multiple instances of billings for titles that were not included under a billing category. For example, under Account Service and Administration, titles that were billed but not listed on the grid included managing supervisor, account management partner, and office administrator.

Auditors examined the monthly activity reports for November 2013 and January 2014. The November 2013 activity report showed 113 individuals billing at one of the hourly rates, while the January 2014 activity report had 119 individuals, 31 of which were new compared to November.

Auditors identified 19 individuals that billed at different hourly rates in November compared to January. In 15 instances, the individuals’ titles were the same in both monthly reports while in 4 instances, the titles were different. In 18 of the 19 instances, the individuals charged at a lower rate in January compared to November. The Department stated the 18 individuals noted were moved to a lower billing category because their core duties had changed while the remaining individual took on a more senior role due to the departure of another employee.

The Department further stated that individuals were not allowed to bill at multiple rates unless the Department and the vendor mutually agreed that an individual’s core duties had changed significantly enough to warrant his or her move from one billing category to another category. However, the Department did not provide supporting documentation showing that the Department and the vendor had mutually agreed that the core duties had changed.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management stated they interpreted the “unless otherwise agreed upon” to permit the parties to bill the expenses detailed in Appendix A. The Department also stated the contract expressly anticipated that the parties would further develop and approve a detailed Work Plan that identified the vendor’s services and the necessarily resulting Direct Costs that would be required for their implementation. After significant joint development, the parties mutually agreed on the text of a 46-page Work Plan on or about October 1, 2013, after the execution of the Contract and its Section 2.1.2 requirement that the State approve Direct Costs. Department staff indicated all costs charged by the vendor were in compliance with the descriptions and budgeted amounts established within the Work Plan. However, auditors noted that the Work Plan contained just four large budgeted amounts and no other detailed dollar amounts for direct costs. In the second year of this contract, the Department has added Direct Cost Forms to add another check on costs associated with the Contract. Finally, the Department stated individuals were not allowed to bill at multiple rates unless Get Covered Illinois and the vendor mutually agreed that an individual’s core duties had changed significantly enough to warrant his or her move from one billing category to another category. As the Get Covered Illinois outreach efforts evolved, some individuals’ core duties changed from project planning to project execution. Such was the case with the 18 individuals sampled in this audit that were moved to a lower billing category.

Exercising adequate controls over expenditures is important to ensure all expenditures are appropriate. In the above instances, the Department: allowed the vendor to bill for travel and related expenses when the RFP stated they were not permitted; did not pre-approve direct costs as required in the contract; and did not exercise good controls over individuals charging at the various hourly rates. (Finding Code No. 2014-009)

**RECOMMENDATION**

We recommend the Department exercise adequate controls over expenditures for the Illinois Health Insurance Marketplace marketing and outreach contract to ensure all expenditures are appropriate.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**DEPARTMENT RESPONSE**

The Department concurs with the finding and will continue to closely monitor expenditures to ensure that they are appropriate and allowed within the contractual agreement. The review process for expenditures in Year 2 of the contract has been enhanced and direct cost forms have been added to the expenditure review process to ensure the Director of Get Covered Illinois is aware of and clearly approves specific items and services ordered under the Contract. The Department has also developed and retained a tracking document to ensure hourly rates charged by the vendor are included within the contractual agreement.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**PRIOR FINDINGS NOT REPEATED**

- A. **FINDING** (Noncompliance with the Requirements of the Health Carrier External Review Act)

During the prior examination, auditors noted the Department did not fully comply with the requirements of the Health Carrier External Review Act. There were instances of health carrier's external review reports not filed with the Department or were not submitted timely. In addition, the Department failed to assess civil penalty to health carriers who did not submit the required reports by the due date.

During the current examination, the auditors testing disclosed that health carrier's external review reports were timely submitted to the Department. The Department has also implemented a new reporting program which allowed adequate monitoring of reports submitted in accordance with the Health Carrier External Review Act. (Finding Code No. 12-4)

- B. **FINDING** (Timesheets Not Maintained in Compliance with the State Officials and Employees Ethics Act)

During the prior examination, the Department did not maintain time sheets for employees in compliance with the State Officials and Employees Ethics Act.

During the current examination, auditors noted the Department has implemented a new system called eTime which provides automated timekeeping and ethics time reporting functions. Significant improvement was noted however, there were still some instances of noncompliance in our testing wherein time sheets were not maintained in accordance with the State Officials and Employees Ethics Act. This issue has been included in the report of immaterial findings as Finding Code No. IM2014-001. (Finding Code Nos. 12-5, 10-3)

- C. **FINDING** (Noncompliance with the Internal Auditing Standards)

During the prior examination, auditors noted the Department did not ensure its full compliance with the Internal Auditing Standards. The Department has no chief audit executive, audit charter and internal Quality Assurance and Improvement Program.

During the current examination, auditors noted the Department hired a chief audit executive and has developed an audit charter and internal Quality Assurance and Improvement Program. (Finding Code No. 12-7)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2014**

**PRIOR FINDINGS NOT REPEATED** (Continued)

D. **FINDING** (Inadequate Documentation and Monitoring of Awards and Grants)

During the prior examination, auditors noted the Department did not adequately document and monitor its awards and grants program.

During the current examination, the auditors testing disclosed the Department has documented and monitored its awards and grant programs. (Finding Code No. 12-8)

E. **FINDING** (Failure to Comply with the Identity Protection Act)

During the prior examination, the Department had not drafted and approved an identity-protection policy by June 1, 2011 as required by the Identity Protection Act (5 ILCS 179).

During the current examination, the Department had developed and approved an Identity Protection Policy. (Finding Code No. 12-10)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances FY 2014
- Schedule of Appropriations, Expenditures and Lapsed Balances FY 2013
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances By Fund
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances By Object Code
- Comparative Schedule of Receipts, Disbursements and Fund Balance - Locally Held Funds
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts by Fund
- Comparative Schedule of Cash Receipts by Category
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Accounts Receivable

- Analysis of Operations (Not Examined):

- Agency Functions and Planning Program (Not Examined)
- Average Number of Employees (Not Examined)
- Emergency Purchase (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 and June 30, 2013 in Schedules 1 through 13. However, the accountants do not express an opinion on the supplementary information. The accountants' report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2014**

**Fourteen Months Ended August 31, 2014**

	<u>Appropriations</u>	<u>Expenditures Through 6/30/14</u>	<u>Lapse Period Expenditures 7/01-8/31/14</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>Public Act 98-0064</u>					
<u>APPROPRIATED FUNDS</u>					
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes	\$ 950,000	\$ 342,968	\$ 27,358	\$ 370,326	\$ 579,674
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	1,909,000	616,330	37,112	653,442	1,255,558
Retirement - employer contribution	769,600	248,738	14,977	263,715	505,885
Social security	146,100	44,918	2,749	47,667	98,433
Group insurance	667,000	185,596	10,466	196,062	470,938
Contractual services	58,000	11,627	-	11,627	46,373
Travel	77,500	18,654	1,361	20,015	57,485
Commodities	14,500	-	-	-	14,500
Printing	10,500	-	-	-	10,500
Equipment	34,800	-	1,495	1,495	33,305
Telecommunications	17,500	-	-	-	17,500
Lump sums and other purposes	500,000	364,550	22,500	387,050	112,950
Total - Public Pension Regulation Trust Fund - 0546	<u>4,204,500</u>	<u>1,490,413</u>	<u>90,660</u>	<u>1,581,073</u>	<u>2,623,427</u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

	Appropriations	Expenditures Through 6/30/14	Lapse Period Expenditures 7/01-8/31/14	Total Expenditures	Balances Lapsed
<u>Insurance Producer Administration Fund - 0922</u>					
Personal services	10,144,400	7,850,732	345,119	8,195,851	1,948,549
Retirement - employer contribution	4,089,500	3,170,260	139,337	3,309,597	779,903
Social security	776,100	581,154	25,571	606,725	169,375
Group insurance	3,335,000	2,252,486	97,584	2,350,070	984,930
Contractual services	1,850,000	1,291,845	361,027	1,652,872	197,128
Travel	145,000	74,443	7,396	81,839	63,161
Commodities	23,400	4,222	16	4,238	19,162
Printing	34,800	8,696	-	8,696	26,104
Equipment	88,800	33,878	11,271	45,149	43,651
Electronic data processing	500,000	367,522	65,957	433,479	66,521
Telecommunications	231,300	210,312	20,749	231,061	239
Operation of automotive equipment	9,000	2,066	49	2,115	6,885
Lump sums and other purposes - Shared services center	627,200	503,813	12,015	515,828	111,372
Lump sums and other purposes - Operational costs & expenses	750,000	198,694	53,602	252,296	497,704
Refunds	200,000	22,017	-	22,017	177,983
Total - Insurance Producer Administration Fund - 0922	<u>22,804,500</u>	<u>16,572,140</u>	<u>1,139,693</u>	<u>17,711,833</u>	<u>5,092,667</u>



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

	Appropriations	Expenditures Through 6/30/14	Lapse Period Expenditures 7/01-8/31/14	Total Expenditures	Balances Lapsed
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	12,352,400	9,203,547	400,324	9,603,871	2,748,529
Retirement - employer contribution	4,979,500	3,719,736	161,809	3,881,545	1,097,955
Social security	945,000	669,034	29,249	698,283	246,717
Group insurance	3,611,000	2,349,780	101,638	2,451,418	1,159,582
Contractual services	1,850,000	1,037,548	216,955	1,254,503	595,497
Travel	300,000	61,692	14,323	76,015	223,985
Commodities	23,400	2,073	9,281	11,354	12,046
Printing	34,700	10,980	-	10,980	23,720
Equipment	65,700	13,525	12,379	25,904	39,796
Electronic data processing	500,000	337,457	96,502	433,959	66,041
Telecommunications	218,500	154,628	52,855	207,483	11,017
Operation of automotive equipment	9,200	968	141	1,109	8,091
Lump sums and other purposes - Shared services center	476,100	123,737	4,547	128,284	347,816
Lump sums and other purposes - Operational costs & expenses	250,000	91,268	652	91,920	158,080
Refunds	49,000	33,907	7,500	41,407	7,593
Total - Insurance Financial Regulation Fund - 0997	<u>25,664,500</u>	<u>17,809,880</u>	<u>1,108,155</u>	<u>18,918,035</u>	<u>6,746,465</u>
TOTALS - APPROPRIATED FUNDS	<u>\$ 53,623,500</u>	<u>\$ 36,215,401</u>	<u>\$ 2,365,866</u>	<u>\$ 38,581,267</u>	<u>\$ 15,042,233</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2014**

**Fourteen Months Ended August 31, 2014**

<u>Appropriations</u>	<u>Expenditures Through 6/30/14</u>	<u>Lapse Period Expenditures 7/01-8/31/14</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>NON-APPROPRIATED FUNDS</u>				
<u>Insurance Premium Tax Refund Fund - 0378</u>				
Refunds	2,006,220	-	2,006,220	
<u>Department of Insurance Federal Trust Fund - 0673</u>				
Illinois Health Insurance Exchange Project Grant	20,910,460	16,196,023	37,106,483	
Consumer Assistance Program Grant Cycle II	475,686	64,094	539,780	
Patient Protection and Affordable Care Act	1,474,241	3,312,997	4,787,238	
Grant to States Health Insurance Rate Review Cycle - II	329,091	19,263	348,354	
Cooperative Agreement to Support Establishment State Operated Health Insurance Exchange	37,781	-	37,781	
Total - Department of Insurance Federal Trust Fund - 0673	23,227,259	19,592,377	42,819,636	
<u>Group Workers' Compensation Pool Insolvency Fund - 0739</u>				
Awards and Grants Per P. A. 91-0757	254,299	-	254,299	
TOTALS - NON-APPROPRIATED FUNDS	25,487,778	19,592,377	45,080,155	
GRAND TOTAL - ALL FUNDS	\$ 61,703,179	\$ 21,958,243	\$ 83,661,422	

Notes: The data contained in this schedule was taken directly from the Department records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2013**

**Fourteen Months Ended August 31, 2013**

	<u>Appropriations</u>	<u>Expenditures Through 6/30/13</u>	<u>Lapse Period Expenditures 7/01-8/31/13</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>Public Acts 97-0727, 98-0001</u>					
<u>APPROPRIATED FUNDS</u>					
<u>Senior Health Insurance Program Fund - 0396</u>					
Lump sum, operations	\$ 2,316,740	\$ 2,316,739	\$ -	\$ 2,316,739	\$ 1
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes	950,000	430,794	19,811	450,605	499,395
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	851,000	613,299	46,199	659,498	191,502
Retirement - employer contribution	323,300	233,374	17,574	250,948	72,352
Social security	65,200	45,630	3,456	49,086	16,114
Group insurance	276,000	200,973	9,787	210,760	65,240
Contractual services	27,000	3,308	500	3,808	23,192
Travel	75,000	17,067	2,245	19,312	55,688
Commodities	5,000	-	-	-	5,000
Printing	10,500	96	-	96	10,404
Equipment	30,000	376	-	376	29,624
Telecommunications	17,500	-	-	-	17,500
Lump sums and other purposes	850,000	603,425	4,025	607,450	242,550
Total - Public Pension Regulation Trust Fund - 0546	<u>2,530,500</u>	<u>1,717,548</u>	<u>83,786</u>	<u>1,801,334</u>	<u>729,166</u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

	Appropriations	Expenditures Through 6/30/13	Lapse Period Expenditures 7/01-8/31/13	Total Expenditures	Balances Lapsed
<u>Insurance Producer Administration Fund - 0922</u>					
Personal services	8,025,000	6,862,985	321,831	7,184,816	840,184
Retirement - employer contribution	3,048,500	2,613,014	122,486	2,735,500	313,000
Social security	614,000	510,920	24,460	535,380	78,620
Group insurance	2,645,000	2,199,722	115,465	2,315,187	329,813
Contractual services	1,850,000	868,065	219,475	1,087,540	762,460
Travel	145,000	83,870	9,184	93,054	51,946
Commodities	23,400	7,499	7,846	15,345	8,055
Printing	34,800	8,603	418	9,021	25,779
Equipment	52,800	24,894	7,200	32,094	20,706
Electronic data processing	500,000	282,316	28,821	311,137	188,863
Telecommunications	213,300	97,650	112,499	210,149	3,151
Operation of automotive equipment	9,000	4,297	3,772	8,069	931
Lump sums and other purposes - Shared services center	627,200	483,672	21,779	505,451	121,749
Lump sums and other purposes - Operational costs & expenses	4,250,000	17,041	658	17,699	4,232,301
Refunds	882,000	32,063	11,330	43,393	838,607
Total - Insurance Producer Administration Fund - 0922	<u>22,920,000</u>	<u>14,096,611</u>	<u>1,007,224</u>	<u>15,103,835</u>	<u>7,816,165</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2013**

**Fourteen Months Ended August 31, 2013**

	<u>Appropriations</u>	<u>Expenditures Through 6/30/13</u>	<u>Lapse Period Expenditures 7/01-8/31/13</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	10,080,000	8,855,859	464,181	9,320,040	759,960
Retirement - employer contribution	3,829,100	3,371,563	176,632	3,548,195	280,905
Social security	771,500	642,281	34,394	676,675	94,825
Group insurance	3,036,000	2,542,372	118,878	2,661,250	374,750
Contractual services	1,850,000	767,103	122,099	889,202	960,798
Travel	300,000	81,076	18,581	99,657	200,343
Commodities	23,400	3,394	10,036	13,430	9,970
Printing	34,700	4,788	999	5,787	28,913
Equipment	35,700	9,850	8,477	18,327	17,373
Electronic data processing	500,000	111,369	46,962	158,331	341,669
Telecommunications	203,500	118,468	80,429	198,897	4,603
Operation of automotive equipment	9,200	8,379	21	8,400	800
Lump sums and other purposes - Shared services center	476,100	199,047	9,818	208,865	267,235
Lump sums and other purposes - Operational costs & expenses	2,750,000	-	-	-	2,750,000
Refunds	49,000	426	-	426	48,574
Total - Insurance Financial Regulation Fund - 0997	<u>23,948,200</u>	<u>16,715,975</u>	<u>1,091,507</u>	<u>17,807,482</u>	<u>6,140,718</u>
<b>TOTALS - APPROPRIATED FUNDS</b>	<u><u>\$ 52,665,440</u></u>	<u><u>35,277,667</u></u>	<u><u>2,202,328</u></u>	<u><u>37,479,995</u></u>	<u><u>\$ 15,185,445</u></u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

<u>Appropriations</u>	<u>Expenditures Through 6/30/13</u>	<u>Lapse Period Expenditures 7/01-8/31/13</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>NON-APPROPRIATED FUNDS</u>				
<u>Insurance Premium Tax Refund Fund - 0378</u>				
Refunds	1,276,962	-	1,276,962	
<u>Department of Insurance State Trust Fund - 0382</u>				
Programs for Advance of Minority	316,026	-	316,026	
<u>Department of Insurance Federal Trust Fund - 0673</u>				
Illinois Health Insurance Exchange Project Grant	-	12,977	12,977	
Consumer Assistance Program Grant Cycle II	8,076	8,359	16,435	
Patient Protection and Affordable Care Act	471,138	6,050,994	6,522,132	
Grant to States Health Insurance Rate Review Cycle - II	170,541	26,361	196,902	
Cooperative Agreement to Support Establishment State Operated Health Insurance Exchange	822,081	1,210,621	2,032,702	
Consumer Assistance Program Grant	31,711	-	31,711	
States Health Insurance Program Review Grant	76,009	-	76,009	
Total - Department of Insurance Federal Trust Fund - 0673	<u>1,579,556</u>	<u>7,309,312</u>	<u>8,888,868</u>	
<u>Group Workers' Compensation Pool Insolvency Fund - 0739</u>				
Awards and Grants Per P. A. 91-0757	68,921	-	68,921	
TOTALS - NON-APPROPRIATED FUNDS	<u>3,241,465</u>	<u>7,309,312</u>	<u>10,550,777</u>	
GRAND TOTAL - ALL FUNDS	<u>\$ 38,519,132</u>	<u>\$ 9,511,640</u>	<u>\$ 48,030,772</u>	

Notes: The data contained in this schedule was taken directly from the Department records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES BY FUND**  
**For the Fiscal Years Ended June 30, 2014, 2013 and 2012**

	Fiscal Year		
	2014 PA 98-0064	2013 PA 97-0727, 98-0001	2012 PA 97-0062, 97-0685
<b>Senior Health Insurance Program Fund - 0396</b>			
<u>Appropriation (Net of Transfers)</u>	\$ -	\$ 2,316,740	\$ 3,545,500
<u>Expenditures</u>			
Lump sum, operations	-	2,316,739	3,420,356
Total Expenditures	-	2,316,739	3,420,356
<u>Lapsed Balances</u>	-	1	125,144
<b>Illinois Workers' Compensation Commission Operations Fund - 0534</b>			
<u>Appropriation (Net of Transfers)</u>	950,000	950,000	485,000
<u>Expenditures</u>			
Lump sums and other purposes	370,326	450,605	484,960
Total Expenditures	370,326	450,605	484,960
<u>Lapsed Balances</u>	579,674	499,395	40
<b>Public Pension Regulation Trust Fund - 0546</b>			
<u>Appropriation (Net of Transfers)</u>	4,204,500	2,530,500	3,228,000
<u>Expenditures</u>			
Personal services	653,442	659,498	837,607
Retirement - employer contribution	263,715	250,948	286,848
Social security	47,667	49,086	62,410
Group insurance	196,062	210,760	205,763
Contractual services	11,627	3,808	89,948
Travel	20,015	19,312	39,861
Printing	-	96	37
Equipment	1,495	376	-
Lump sums and other purposes	387,050	607,450	-
Total Expenditures	1,581,073	1,801,334	1,522,474
<u>Lapsed Balances</u>	2,623,427	729,166	1,705,526

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES BY FUND  
For the Fiscal Years Ended June 30, 2014, 2013 and 2012**

	Fiscal Year		
	2014 PA 98-0064	2013 PA 97-0727, 98-0001	2012 PA 97-0062, 97-0685
<b>Insurance Producer Administration Fund - 0922</b>			
<u>Appropriation (Net of Transfers)</u>	22,804,500	22,920,000	17,568,000
<u>Expenditures</u>			
Personal services	8,195,851	7,184,816	7,355,930
Retirement - employer contribution	3,309,597	2,735,500	2,519,603
Social security	606,725	535,380	541,772
Group insurance	2,350,070	2,315,187	1,872,530
Contractual services	1,652,872	1,087,540	1,155,066
Travel	81,839	93,054	79,994
Commodities	4,238	15,345	8,331
Printing	8,696	9,021	14,837
Equipment	45,149	32,094	31,858
Electronic data processing	433,479	311,137	86,544
Telecommunications	231,061	210,149	193,968
Operation of automotive equipment	2,115	8,069	4,495
Lump sums and other purposes - Shared services center	515,828	505,451	514,976
Lump sums and other purposes - Operational costs & expenses	252,296	17,699	-
Refunds	22,017	43,393	83,771
Total Expenditures	17,711,833	15,103,835	14,463,675
<u>Lapsed Balances</u>	5,092,667	7,816,165	3,104,325
<b>Insurance Financial Regulation Fund - 0997</b>			
<u>Appropriation (Net of Transfers)</u>	25,664,500	23,948,200	21,277,000
<u>Expenditures</u>			
Personal services	9,603,871	9,320,040	9,829,330
Retirement - employer contribution	3,881,545	3,548,195	3,368,321
Social security	698,283	676,675	712,729
Group insurance	2,451,418	2,661,250	2,272,218
Contractual services	1,254,503	889,202	834,720
Travel	76,015	99,657	80,377
Commodities	11,354	13,430	10,860
Printing	10,980	5,787	7,010
Equipment	25,904	18,327	33,509
Electronic data processing	433,959	158,331	186,731
Telecommunications	207,483	198,897	168,759
Operation of automotive equipment	1,109	8,400	3,291
Lump sums and other purposes - Shared services center	128,284	208,865	258,107
Lump sums and other purposes - Operational costs & expenses	91,920	-	-
Refunds	41,407	426	200
Total Expenditures	18,918,035	17,807,482	17,766,162
<u>Lapsed Balances</u>	6,746,465	6,140,718	3,510,838



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES BY FUND  
For the Fiscal Years Ended June 30, 2014, 2013 and 2012

	Fiscal Year		
	2014 PA 98-0064	2013 PA 97-0727, 98-0001	2012 PA 97-0062, 97-0685
<b>Grand Total - All Appropriated Funds</b>			
Appropriations (Net of Transfers)	\$ 53,623,500	\$ 52,665,440	\$ 46,103,500
Total Expenditures	38,581,267	37,479,995	37,657,627
Lapsed Balances	15,042,233	15,185,445	8,445,873
<b><u>Non-Appropriated Funds</u></b>			
<u>Expenditures</u>			
Insurance Premium Tax Refund Fund - 0378	2,006,220	1,276,962	1,543,948
Department of Insurance State Trust Fund - 0382	-	316,026	-
Department of Insurance Federal Trust Fund - 0673	42,819,636	8,888,868	2,912,128
Group Workers' Compensation Pool Insolvency Fund - 0739	254,299	68,921	-
<b>Total Expenditures - Non-Appropriated Funds</b>	45,080,155	10,550,777	4,456,076
<b>Total Expenditures - All Appropriated and Non-Appropriated Funds</b>	<b>\$ 83,661,422</b>	<b>\$ 48,030,772</b>	<b>\$ 42,113,703</b>
<b>State Officers' Salaries</b>			
<u>Appropriation</u>	\$ 135,100	\$ 135,100	\$ 135,100
<u>Expenditures</u>	135,081	135,081	135,358
<u>Lapsed Balances</u>	\$ 19	\$ 19	\$ (258)

Note: For FY 2012, expenditures and lapsed balances do not reflect interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES BY OBJECT CODE**  
**For the Fiscal Years Ended June 30, 2014, 2013 and 2012**

	Fiscal Year		
	2014 PA 98-0064	2013 PA 97-0727, 98-0001	2012 PA 97-0062, 97-0685
<b>APPROPRIATED FUNDS</b>			
APPROPRIATIONS (net of Transfers)	\$ 53,623,500	\$ 52,665,440	\$ 46,103,500
Expenditures			
Personal Services	\$ 19,154,821	\$ 18,570,012	\$ 19,580,944
State Contributions to State Employees' Retirement System	7,645,018	6,951,508	6,534,400
State Contribution to Social Security / Medicare	1,397,699	1,363,196	1,432,879
Employer Contributions to Group Insurance	5,113,618	5,533,632	4,593,409
Contractual Services	4,398,528	3,788,983	3,397,351
Travel	178,425	239,005	262,073
Printing	19,676	14,996	29,956
Commodities	16,178	43,641	51,904
Equipment	74,641	56,188	66,014
Electronic Data Processing	27,045	48,458	13,480
Telecommunications	483,443	413,476	408,501
Operation of Automotive Equipment	8,751	44,730	23,081
Interest - Prompt Payment Act	-	-	112
Awards and Grants	-	368,351	1,179,552
Refunds	63,424	43,819	83,971
Total Appropriated Expenditures	<u>38,581,267</u>	<u>37,479,995</u>	<u>37,657,627</u>
Lapsed Balances	<u>15,042,233</u>	<u>15,185,445</u>	<u>8,445,873</u>
<b>NON-APPROPRIATED FUNDS</b>			
Expenditures			
Personal Services	\$ 1,642,996	\$ 613,090	\$ 439,697
State Contributions to State Employees' Retirement System	511,260	97,993	13,846
State Contribution to Social Security / Medicare	118,198	44,314	33,561
Employer Contributions to Group Insurance	323,162	62,738	8,471
Contractual Services	40,161,259	8,050,767	1,869,737
Travel	43,220	5,065	17,382
Printing	-	37	37
Commodities	10,331	5,371	7,886
Equipment	110	182	-
Electronic Data Processing	1,874	9,090	-
Telecommunications	7,196	221	38,270
Operation of Automotive Equipment	30	-	-
Transfers	-	-	483,241
Awards and Grants	254,299	384,947	-
Refunds	2,006,220	1,276,962	1,543,948
Total Non-Appropriated Expenditures	<u>45,080,155</u>	<u>10,550,777</u>	<u>4,456,076</u>
Total Appropriated and Non-Appropriated Expenditures	<u>\$ 83,661,422</u>	<u>\$ 48,030,772</u>	<u>\$ 42,113,703</u>

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE -**  
**LOCALLY-HELD FUNDS**  
**For Fiscal Years 2014, 2013 and 2012**

	<b>FISCAL YEAR</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Balance per Department, Beginning	\$ 930,355,445	\$ 911,727,260	\$ 875,452,217
Receipts	344,444,220	301,174,513	295,033,206
Disbursements	<u>(322,744,318)</u>	<u>(282,546,328)</u>	<u>(258,758,163)</u>
Balance per Department, Ending	<u><u>\$ 952,055,347</u></u>	<u><u>\$ 930,355,445</u></u>	<u><u>\$ 911,727,260</u></u>

The Security Deposit Fund (Fund 1109) is a fiduciary fund created by the Illinois Insurance Code (215 ILCS 5/404.1). The Code requires companies domiciled in the State of Illinois to make and maintain, with the Director of the Department of Insurance, a deposit of securities having a fair market value of specified amounts for the protection of all creditors, policyholders, and policy obligations of the company. The amount of deposit required is determined by the classification under which a company is organized and also as required to support certain classes of reserves.

Fund 1109 is reported using the economic resources measurement focus and the accrual basis of accounting.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF CHANGES IN STATE PROPERTY  
For the Two Years Ended June 30, 2014**

**Year Ended June 30, 2013**

Balance per Department, Beginning	\$ 2,522,095
Additions	100,798
Deletions	(218,590)
Net transfers	<u>(140,398)</u>
Balance per Department, Ending	<u><u>\$ 2,263,905</u></u>

**Year Ended June 30, 2014**

Balance per Department, Beginning	\$ 2,263,905
Additions	114,156
Deletions	(8,626)
Net transfers	<u>(29,742)</u>
Balance per Department, Ending	<u><u>\$ 2,339,693</u></u>

The above balances consist of equipment and capital lease equipment.

Note: The above schedule has been derived from Department records which have been reconciled to property reports submitted to the Office of the Comptroller.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS BY FUND**  
**For Fiscal Years 2014, 2013 and 2012**

	<b>FISCAL YEAR</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
General Revenue Fund - 0001	\$ 333,304,502	\$ 333,985,512	\$ 344,565,554
Fire Prevention Fund - 0047	25,441,523	24,808,717	23,490,622
Insurance Premium Tax Refund Fund - 0378	1,922,725	1,383,086	1,346,205
Senior Health Insurance Program Fund - 0396	-	2,414,839	3,678,991
Protest Fund - 0401	28,685	5,470	6,469
Illinois Workers' Compensation Commission Operations Fund - 0534	26,185,038	24,432,494	22,793,886
Public Pension Regulation Trust Fund - 0546	2,008,343	1,713,163	1,785,710
Federal Trust Fund - 0673	28,660,637	4,389,748	2,174,314
Group Workers' Compensation Pool Insolvency Fund - 0739	130,736	113,431	154,018
Insurance Producer Administration Fund - 0922	31,868,955	30,032,588	30,336,268
Insurance Financial Regulation Fund - 0997	22,157,314	27,910,136	22,677,784
Total - All Funds	<u>\$ 471,708,458</u>	<u>\$ 451,189,184</u>	<u>\$ 453,009,821</u>

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS BY CATEGORY**  
**For Fiscal Years 2014, 2013 and 2012**

	<b>FISCAL YEAR</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Privilege insurance tax	\$ 171,390,832	\$ 174,477,189	\$ 183,079,847
Retaliatory tax	122,934,263	122,500,561	127,242,949
Surplus line tax	40,162,423	37,860,047	35,234,988
Licenses fees and registration:			
Industrial Commission Operations Fund surcharges	26,185,038	24,432,494	22,793,886
Insurance producer licenses and fees	26,474,094	23,382,451	24,002,976
Regulatory insurance licenses and fees	22,074,833	25,690,150	22,616,933
Pensions filing fees	2,008,283	1,713,163	1,785,710
Insurance performance examination fees	424,986	487,173	693,426
Total licenses fees and registration	<u>77,167,234</u>	<u>75,705,431</u>	<u>71,892,931</u>
Protest fees	13,069	4,670	6,469
Fire marshal tax	25,441,523	24,808,717	23,490,622
Federal government grant	28,660,637	6,804,587	5,853,305
Surety bonds	130,736	113,431	154,018
Fines, penalties, interest	5,226,797	8,288,313	4,724,802
Miscellaneous	<u>580,944</u>	<u>626,238</u>	<u>1,329,890</u>
	<u>\$ 471,708,458</u>	<u>\$ 451,189,184</u>	<u>\$ 453,009,821</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER  
For the Two Years Ended June 30, 2014**

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<b>Fund</b>	<b>Receipts Per Department Records</b>	<b>Plus Deposits in Transit Beginning of Year</b>	<b>Less Deposits in Transit End of Year</b>	<b>Transfers/ Adjustments Other Funds</b>	<b>Deposits Per Comptroller Records</b>
<b>Year Ended June 30, 2014</b>					
General Revenue Fund - 0001	\$ 333,304,502	\$ 259,311	\$ (940,292)	\$ -	\$ 332,623,521
Fire Prevention Fund - 0047	25,441,522	-	(14)	-	25,441,508
Insurance Premium Tax Refund Fund - 0378	1,922,725	-	-	-	1,922,725
Protest Fund - 0401	28,685	-	-	-	28,685
Illinois Workers' Compensation Commission Operations Fund - 0534	26,185,038	-	-	-	26,185,038
Public Pension Regulation Trust Fund - 0546	2,008,343	167,820	(300,009)	-	1,876,154
Federal Trust Fund - 0673	28,660,638	-	-	-	28,660,638
Group Workers' Compensation Pool Insolvency Fund - 0739	130,736	-	-	-	130,736
Insurance Producers' Administration Fund - 0922	31,868,955	588,247	(662,105)	-	31,795,097
Insurance Financial Regulation Fund - 0997	22,157,314	2,687,456	(1,754,362)	-	23,090,408
<b>Reconciliation Totals</b>	<b>\$ 471,708,458</b>	<b>\$ 3,702,834</b>	<b>\$ (3,656,782)</b>	<b>\$ -</b>	<b>\$ 471,754,510</b>
<b>Year Ended June 30, 2013</b>					
General Revenue Fund - 0001	\$ 333,985,512	\$ 219,901	\$ (259,311)	\$ -	\$ 333,946,102
Fire Prevention Fund - 0047	24,808,717	-	-	-	24,808,717
Insurance Premium Tax Refund Fund - 0378	1,383,086	-	-	-	1,383,086
Senior Health Insurance Program Fund - 0396	2,414,839	-	-	-	2,414,839
Protest Fund - 0401	5,470	-	-	-	5,470
Illinois Workers' Compensation Commission Operations Fund - 0534	24,432,494	-	-	-	24,432,494
Public Pension Regulation Trust Fund - 0546	1,713,163	103,747	(167,820)	-	1,649,090
Federal Trust Fund - 0673	4,389,748	-	-	-	4,389,748
Group Workers' Compensation Pool Insolvency Fund - 0739	113,431	-	-	-	113,431
Insurance Producer Administration Fund - 0922	30,032,588	649,901	(588,247)	50	30,094,292
Insurance Financial Regulation Fund - 0997	27,910,136	71,178	(2,687,456)	100	25,293,958
<b>Reconciliation Totals</b>	<b>\$ 451,189,184</b>	<b>\$ 1,044,727</b>	<b>\$ (3,702,834)</b>	<b>\$ 150</b>	<b>\$ 448,531,227</b>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

A comparative schedule of net appropriations, expenditures and lapsed balances is presented on pages 45 through 47. We considered fluctuations in excess of \$100,000 and 20% in expenditures to be significant. Explanations of significant expenditures fluctuations are as follows:

**FY 2014**

Senior Health Insurance Program Fund – 0396

Lump sum, operations - The expenditures decreased by \$2,316,739 or 100% due to the transfer of the Senior Health Insurance Program (SHIP) from the Department of Insurance to the Department of Aging in fiscal year 2013.

Public Pension Regulation Trust Fund – 0546

Lump sums and other purposes - The expenditures decreased by \$220,400 or 36% due to the average annual hiring cost of the enrolled actuary as compared to the prior fiscal year expenditures which included startup costs in hiring the enrolled actuary.

Insurance Producer Administration Fund – 0922

Retirement - employer contribution - The expenditures increased by \$574,097 or 21% due to increase in the average headcount within Fund 922 from 107 during fiscal year 2013 to 122 during fiscal year 2014 along with an increase in the retirement rate paid per each full time equivalent employee's gross salary from 37.987% in fiscal year 2013 to 40.312% in fiscal year 2014.

Contractual services - The expenditures increased by \$565,332 or 52% due to legal and consulting service fees during fiscal year 2014 for complainant appeals to denials of health benefits and litigation against the Department and increased facility rental for the Department's new office in Chicago.

Electronic data processing - The expenditures increased by \$122,342 or 39% due to payments for information technology consulting services for application development initiatives during fiscal year 2014.

Lump sums and other purposes - Operational costs and expenses - The expenditures increased by \$234,597 or 1325% due to monies spent during fiscal year 2014 for payments related to temporary staffers, Department's member assessment with the National Association of Insurance Commissioners, and Chicago office lease.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)**

Insurance Financial Regulation Fund – 0997

Contractual services - The expenditures increased by \$365,301 or 41% due to increase in lease payments for the Chicago and Springfield offices, additional legal and consulting costs for health benefit appeals, health care insurance premium rate filings, and hearing officer work.

Electronic data processing - The expenditures increased by \$275,628 or 174% due to payments for information technology consulting services related to application development.

Insurance Premium Tax Refund Fund – 0378

Refunds - The expenditures increased by \$729,258 or 57%. Money in this fund may be expended to pay tax refunds due. Expenditures will vary year to year depending upon the total amount of tax paid and total refunds issued within the fiscal year. The number of refunds requested and processed increased from 21 during fiscal year 2013 to 35 during fiscal year 2014.

Department of Insurance State Trust Fund – 0382

Programs for Advanced Minority - The expenditures decreased by \$316,026 or 100%. All the monies from this fund were expended during fiscal year 2013 in accordance with the purpose of establishing this fund. During fiscal year 2014, the Department determined the fund to be dormant and will be closed as no further cash deposits will be made to the fund.

Department of Insurance Federal Trust Fund – 0673

The expenditure increased by \$33,930,768 or 382% primarily due to the expansion of activities associated with implementing the Illinois Health Insurance Marketplace awarded to the Department. Monies expended for contractual services increased due to vendor payments for branding, marketing, public relations and communications services associated with the Illinois Health Insurance Marketplace and payments made to Illinois Department of Healthcare and Family Services for professional services per Interagency Agreement related to the Health Insurance Marketplace. The increase in expenditures was also due to additional full time and contractual employees working in the Governor's Office of Management and Budget (GOMB) in accordance with the Interagency Agreements related to the Affordable Care Act.

Group Workers Compensation Pool Insolvency – 0739

Awards and Grants - The expenditures increased by \$185,378 or 269%. Money in this fund may be expended to Workers Compensation claims unpaid due to the insolvency of a pool. Expenditures will vary year to year as the actual payments depend upon the result of a court decision within the fiscal year.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)**

**FY 2013**

Senior Health Insurance Program Fund – 0396

Lump sum, operations - The expenditures decreased by \$1,103,617 or 32% due to the transfer of the SHIP from the Department of Insurance to the Department on Aging effective April 1, 2013. The spending for the remaining three months of fiscal year 2013 including lapse spending were incurred and recorded under Department on Aging.

Public Pension Regulation Trust Fund – 0546

Personal services - The expenditures decreased by \$178,109 or 21% due to the decrease in average full-time equivalent employees employed within the Pension Unit from 12 in fiscal year 2012 to 9 in fiscal year 2013.

Lump sums and other purposes - The expenditures increased by \$607,450 or 100%. The lump sum appropriation was added to the fund in fiscal year 2013 for the Department to hire an enrolled actuary to review and approve recommended police and firefighters pension fund tax levies.

Insurance Producer Administration Fund – 0922

Group insurance - The expenditures increased by \$442,657 or 24% due to the increase in rate for group insurance per full-time equivalent employee from \$14,500 in fiscal year 2012 to \$23,000 in fiscal year 2013.

Electronic data processing - The expenditures increased by \$224,593 or 260% due to payments during fiscal year 2013 for information technology consulting services and for ratemaking actuary to assist in consulting for regulated entities.

Department of Insurance State Trust Fund – 0382

Programs for Advance of Minority - The expenditures increased by \$316,026 or 100%. The Department expended the money in the manner for which it was originally intended when deposited to the State Trust Fund. The Department contributed these monies to four not-for-profit organizations to be used for programs associated with the advancement of minorities within the State.

Department of Insurance Federal Trust Fund – 0673

Total expenditures for the fund increased by \$5,976,740 or 205% due to two new grants awarded to the Department by the end of fiscal year 2012 to support the Health Insurance Marketplace. Monies expended increased due to vendor payments for consulting and managing fees related to the technical and operational planning and development of an American Health Benefit Exchange,

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)**

payments made to Illinois Department of Healthcare and Family Services for costs associated with the Medicaid special purpose trust eligibility verification enrollment system per Interagency Agreement related to the Health Insurance Marketplace and additional full time employees working in GOMB in accordance with the Interagency Agreements related to the Affordable Care Act.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

A comparative schedule of cash receipts by fund is presented on page 51. We considered fluctuations in excess of \$100,000 and 20% to be significant. Explanations of significant receipts fluctuations are as follows:

**FY 2014**

Insurance Premium Tax Refund Fund – 0378

The receipts increased by \$539,639 or 39%. The increase was due to the transfer of collections from the General Revenue Fund based upon a percentage of the annual premium tax collections calculated as the preceding calendar year's ratio of refunds to taxes collected or 5% of the amount collected in the preceding calendar year if no refunds were paid in the previous calendar year.

Senior Health Insurance Program Fund – 0396

The receipts decreased by \$2,414,839 or 100% due to the transfer of SHIP to the Illinois Department of Aging in fiscal year 2013.

Department of Insurance Federal Trust Fund – 0673

The receipts increased by \$24,270,889 or 553%. The increase was due to a new grant, Illinois Health Insurance Exchange Project awarded to the Department for the implementation of the Affordable Care Act.

Insurance Financial Regulation Fund – 0997

The receipts decreased by \$5,752,822 or 21% due to lower number of multi-state market conduct examination fines compared to the prior fiscal year leading to lower interest collected. The decrease in receipts was also due to timing of collection of the regulatory licenses and fees.

**FY 2013**

Senior Health Insurance Program Fund – 0396

The receipts decreased by \$1,264,152 or 34% due to the transfer of SHIP to the Illinois Department of Aging effective April 1, 2013.

Department of Insurance Federal Trust Fund – 0673

The receipts increased by \$2,215,434 or 102%. The increase was due to the federal monies received for the implementation of the Affordable Care Act. The Department was awarded two new grants under the Cooperative Agreements to Support Establishment of Health Insurance Marketplace.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS(Continued)**

Insurance Financial Regulation Fund – 0997

The receipts increased by \$5,232,352 or 23% due to higher number of multi-state market conduct examination fines leading to increased interest collected. The increase in receipts was also due to timing of collection of the regulatory licenses and fees.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**

The schedule of net appropriations, expenditures and lapsed balances by fund is presented on pages 37 through 44. We considered spending of \$100,000 and 15% or more of total expenditures to be significant. Explanations of significant lapsed period spending are as follows:

**FY 2014**

Insurance Producer Administration Fund – 0922

Contractual services - Lapse period expenditures were \$361,027 or 22% of total expenditures. The lapse period spending was a result of the timing and subsequent payments of Communication Revolving Fund billings, graphic design work, marketing surveys for enforcement and compliance of Illinois laws, Chicago office lease, and legal fees.

Insurance Financial Regulation Fund - 0997

Contractual services - Lapse period expenditures were \$216,955 or 17% of total expenditures. Lapse payments were made for the lease of the Springfield office, examination resources for supplemental enforcement services on insurance company financial statements, and legal fees for review of long term care and life insurance.

Department of Insurance Federal Trust Fund – 0673

Lapse period expenditures were \$19,592,377 or 46% of total expenditures. These lapse payments were made to two vendors for contractual expenditures. Contractual lapse payments were made to the Illinois Department of Healthcare and Family Services to support the Health Insurance Marketplace and to a vendor for professional services related to branding, marketing public relations and, communications and results tracking for the Illinois Health Insurance Marketplace Project. Lapse spending occurred due to timing of billings and subsequent payment of vouchers for contractual services rendered in relation to the Health Insurance Marketplace and the Patient Protection and Affordable Care Act.

**FY 2013**

Insurance Producer Administration Fund – 0922

Contractual services - Lapse period expenditures were \$219,475 or 20% of total expenditures. The lapse period spending was a result of the timing and subsequent payments of Chicago office lease, payroll for temporary personnel, consulting services, and legal fees for analysis of appeals to the Director.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING** (Continued)

Telecommunications - Lapse period spending were \$112,499 or 54% of total expenditures. The lapse period payments pertain to billings for rental and lease of telecommunication services provided from May to June 2013.

Department of Insurance Federal Trust Fund – 0673

Lapse period expenditures were \$7,309,312 or 82% of total expenditures. This lapse spending occurred due to timing of billings and subsequent payment of vouchers for contractual services rendered by the Illinois Department of Healthcare and Family Services for the Medicaid special purpose trust eligibility verification enrollment system in association with the Medicaid Trust Cooperative Agreement to support the Health Insurance Marketplace.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
**For the Two Years Ended June 30, 2014**

Receivables of the Department consist mainly of licenses, fees, taxes, interest and penalties. The aging schedule of the Department's receivables (expressed in thousands) at June 30, 2014 is presented below:

Aging Schedule	General Revenue Fund 0001*	Fire Prevention Fund 0047	Public Pension Regulation Trust Fund 0546	Insurance Producers' Administration Fund 0922	Insurance Financial Regulation Fund 0997	Total
Current	\$ 200	\$ 16	\$ -	\$ 227	\$ 18,118	18,561
31-60	43	-	157	392	19	611
61-120	102	-	-	617	-	719
121-180	-	-	-	316	-	316
181-365	226	-	-	459	-	685
Over 365	5,234	17	-	655	11	5,917
Accounts Receivable Gross Balance	<u>5,805</u>	<u>33</u>	<u>157</u>	<u>2,666</u>	<u>18,148</u>	<u>26,809</u>
Less: Estimated Uncollectibles	<u>(688)</u>	<u>(17)</u>	<u>-</u>	<u>(334)</u>	<u>(9)</u>	<u>(1,048)</u>
Accounts Receivable Net Balance	<u>\$ 5,117</u>	<u>\$ 16</u>	<u>\$ 157</u>	<u>\$ 2,332</u>	<u>\$ 18,139</u>	<u>\$ 25,761</u>

\* The outstanding receivables for the General Revenue Fund include invoices related to tax (privilege, retaliatory and surplus line), interest and penalties. The majority of the receivable balance amounting to \$4.392 million was directly attributable to the longstanding US liability vs. the Department court case. As of the end of fiscal year, no final resolution had been reached in the case and therefore, the invoices were still considered collectible by the Department. However, on January 26, 2015, the Illinois Supreme Court denied the Department's petition to hear the case and the related invoices were voided.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
ANALYSIS OF ACCOUNTS RECEIVABLE  
For the Two Years Ended June 30, 2014**

Receivables of the Department consist mainly of licenses, fees, taxes, interest and penalties. The aging schedule of the Department's receivables (expressed in thousands) at June 30, 2013 is presented below:

Aging Schedule	General Revenue Fund 0001*	Fire Prevention Fund 0047	Public Pension Regulation Trust Fund 0546	Insurance Producers' Administration Fund 0922	Insurance Financial Regulation Fund 0997	Total
Current	\$ 401	\$ -	\$ -	\$ 39	\$ 15,681	\$ 16,121
31-60	53	-	272	15	-	340
61-120	154	-	-	28	1	183
121-180	1	-	-	19	1	21
181-365	320	2	-	84	1	407
Over 365	5,179	17	-	573	27	5,796
Accounts Receivable Gross Balance	<u>6,108</u>	<u>19</u>	<u>272</u>	<u>758</u>	<u>15,711</u>	<u>22,868</u>
Less: Estimated Uncollectibles	<u>(688)</u>	<u>(19)</u>	<u>-</u>	<u>(339)</u>	<u>(25)</u>	<u>(1,071)</u>
Accounts Receivable Net Balance	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 419</u>	<u>\$ 15,686</u>	<u>\$ 21,797</u>

\* The outstanding receivables for the General Revenue Fund include invoices related to tax (privilege, retaliatory and surplus line), interest and penalties. The majority of the receivable balance amounting to \$4.392 million was directly attributable to the longstanding US liability vs. the Department court case. As of the end of fiscal year, no final resolution had been reached in the case and therefore, the invoices were still considered collectible by the Department. However, on January 26, 2015, the Illinois Supreme Court denied the Department's petition to hear the case and the related invoices were voided.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**AGENCY FUNCTIONS AND PLANNING PROGRAM  
(Not Examined)**

The Department of Insurance (Department) was re-established on June 1, 2009 by Executive Order 2009-04 of the Governor. The Department was previously a part of the Department of Financial and Professional Regulation as the Division of Insurance. The Department is located at 320 West Washington Street, Springfield, Illinois, and at 122 South Michigan Avenue, 19th Floor, Chicago, Illinois. James Stephens is the Acting Director since January 12, 2015.

Agency Functions

The mission of the Department is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The Department carries out this mission through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Pension Code (40 ILCS 5/1-101 et seq.), and related laws and regulations, including Title 50 of the Illinois Administrative Code. The Department has ten Divisions. Each Division is described below:

Office of Legal Affairs Division

The Office of Legal Affairs Division provides a variety of legal services to the regulatory units of the Department of Insurance. The Division arranges and conducts formal hearings and rulemaking process, drafts contracts, and advises other areas of the Department on legal issues which arise in the course of their work.

The Office of Legal Affairs staff normally does not represent the Department in matters before the courts, but acts as liaison with the Attorney General's staff and outside counsel on litigation in which the Department has an interest. The Office of Legal Affairs responds to external inquiries from the Office of the Special Deputy Receiver, other agencies of government and the general public as needed.

Workers' Compensation Fraud Division

The Workers' Compensation Fraud Unit (WCFU) is charged with examining allegations of workers' compensation fraud and insurance non-compliance. Section 25, 5(c) of the Illinois Workers' Compensation Act specifically provides that it "shall be the duty of the WCFU to determine the identity of insurance carriers, employees, or other persons or entities that have violated the fraud and insurance non-compliance provisions of this Section."

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Financial/Corporate Regulatory Division

The Financial/Corporate Regulatory Division is responsible for analyzing and monitoring the financial strength of insurance companies and all other regulated insurance risk bearing entities. This task is accomplished via on-site financial examinations and intervening when developing problems are identified. The Division licenses authorized insurers in the State, and investigates and takes action against unauthorized companies illegally conducting the business of insurance. The Division is intricately involved in oversight of the management operations of Illinois insurers because by law many corporate transactions, such as entering reinsurance agreements, paying dividends, and transacting business with affiliates, require the prior approval of the Department.

Public Pension Regulation Division

The Public Pension Regulation Division regulates the suburban and downstate police and fire fighter pension systems and collects vital information from those funds, as well as from large State, Cook County and Chicago pension systems, including the Illinois Municipal Retirement System. The Division's field examinations of pension fund documents and desk audits of annual statements are the principal processes under which the State is able to protect the accrued pension benefits of active and retired public employees. The Division must also ensure the investments of Illinois public pension systems are in compliance with law.

Consumer Education and Protection Division

The Consumer Education and Protection Division is responsible for consumer protection and education programs and non-financial regulatory functions.

Operating under a federal grant, the Senior Health Insurance Program (SHIP) provides free insurance counseling service to Medicare beneficiaries and their caregivers. Senior volunteers are trained to assist Illinois citizens with Medicare and health insurance questions and problems by providing one-on-one counseling in local offices throughout the State. SHIP was transferred to the Department of Aging in April 2013.

Finance and Administration Division

The Finance and Administration Division provides support services to the entire Department and is responsible for revenue collections and fiscal functions except for accounting and Human Resources functions which were transferred to the Administrative and Regulatory Shared Services Center.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Information Technology Division

The Information Technology Division provides information technology services for the Department's Springfield and Chicago offices and for financial and market conduct examiners in the field, as well as consulting IT support for the Office of the Special Deputy and the Comprehensive Health Insurance Plan.

Producer Regulatory Services/Property and Casualty Products Division

The Property and Casualty Compliance Division reviews the manuals of rules and rates filed for those lines of insurance required by statute and oversees the operations of the Illinois Mine Subsidence Fund and the State's involuntary insurance markets: the Illinois Automobile Insurance Plan, the Illinois FAIR Plan Association and the Illinois Workers Compensation Assigned Risk Plan.

Life and Annuities Products Division and Health Insurance Products and Regulation Division

The Divisions functions are to receive from insurance companies, filings which contain product forms that will be sold in Illinois for review to determine compliance with the Illinois Insurance Code and Regulations. The two Divisions are required to interpret laws and regulations and respond to inquiries from insurance company representatives, attorneys and other Departmental staff.

The Department has three associated organizations. Each organization is described below:

Office of the Special Deputy (OSD)

The Office of the Special Deputy assists the Director in carrying out his responsibilities as the statutory conservator, rehabilitator or liquidator of insurance companies that are declared insolvent or are otherwise impaired from managing their own affairs. When a company domiciled or licensed in Illinois is placed into receivership, the claims of Illinois residents are covered by one of the State's three insurance guaranty funds up to the limits allowed by statute. Coverage under the Life and Health Insurance Guaranty Association is triggered when an impaired or insolvent Life or Health company is placed under a final order of rehabilitation or liquidation. Coverage under the Illinois Health Maintenance Organization Guaranty Association law is triggered when an impaired or insolvent HMO company is placed under a final order of rehabilitation or liquidation. Coverage under the Illinois Insurance Guaranty Fund is triggered by the entry of a final order of liquidation with a finding of insolvency against a Property and Casualty company. Policyholders with claims against unauthorized, illegal, or unlicensed insurers are not generally afforded this protection.

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**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Comprehensive Health Insurance Plan (CHIP)

The Comprehensive Health Insurance Plan is a State program which offers health insurance to a limited number of Illinois residents who can afford, but are unable to find adequate health insurance coverage in the private market because of their medical or physical condition. The plan also serves as the State's alternative mechanism for HIPAA portability requirements. CHIP is subject to its own enabling law and is governed by a Board of Directors which is chaired by the Director of Insurance or his designee. CHIP has a small staff which works for the Board of Directors. Claims are administered for CHIP by a private insurer.

National Association of Insurance Commissioners (NAIC)

The National Association of Insurance Commissioners is a central organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The primary objective of this body is to strengthen and improve State regulation through the formulation of common goals and uniform policies.

The Illinois Department of Insurance maintains an active presence in the NAIC and was one of the first four states to become formally accredited as meeting the financial regulatory standards established by the NAIC.

Planning Program

Insurance regulation has two primary objectives, financial solvency and consumer protection, which are carried out through a number of programs designed to effectively serve the people of Illinois.

The following is a partial list of those programs:

- analysis of the financial statements of all companies, fraternal organizations, and public employee pension funds established in the State;
- periodic financial and market conduct examinations of insurance companies;
- examination and licensing of insurance producers;
- review and approval of policy forms;
- rate regulation and rate adjustment for select lines of insurance prescribed by statute;
- investigation of consumer complaints against insurance companies and producers;
- preparation of new legislation; and
- conduct hearings on complaints and violations of the Illinois Insurance Code.

The Department has formal strategic priorities outlined in their current Strategic Plan. The Department's Performance Metrics Summary includes target dates/periods and descriptions of criteria to help the Department evaluate their priorities and initiatives.

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**AVERAGE NUMBER OF EMPLOYEES  
(Not Examined)**

The following information was prepared from Department records and presents the average number of employees for fiscal years ended June 30:

<u>Division/Unit</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Senior Health Insurance Program	-	10	9
Illinois Workers' Compensation Commission Operations	2	1	1
Public Pension Regulatory	10	9	12
Affordable Care Act Operation	3	3	1
Insurance Producer Administration	122	107	109
Insurance Financial Regulation	<u>118</u>	<u>120</u>	<u>131</u>
<b>TOTAL</b>	<u><u>255</u></u>	<u><u>250</u></u>	<u><u>263</u></u>

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**EMERGENCY PURCHASE  
(Not Examined)**

The Agency reported one emergency purchase to the Office of the Auditor General during fiscal year 2014:

<b>Obligation Number</b>	<b>Vendor</b>	<b>Description</b>	<b>Estimated Amount</b>	<b>Actual Amount</b>
13-ITDOI007E	Capital Strategies Consulting and Levi Ray & Shoup Inc.	The Department of Insurance requested an emergency procurement to continue on time sensitive projects that are in process and critical to the Department. The Department had anticipated these services to continue through fiscal year 2013. However, due to timing and efforts of having a State MSP contract and the efforts of the Department seeking their own procurement (RFP), it has become apparent that these projects cannot continue without the emergency procurement process. The Department has limited this extension to projects that cannot be delayed until the MSP contract is available.	\$ 103,000	\$ 306,827

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**SERVICE EFFORTS AND ACCOMPLISHMENTS  
(Not Examined)**

**Division of Insurance, Consumer Market Division**

**Mission Statement:** To protect consumers by monitoring and ensuring the solvency of Illinois-based insurance companies; to make certain that insurance companies and producers adhere to state insurance laws and regulations; and to work with insurance regulators from other states to maintain and enhance the efficiency of state based insurance regulation.

**Program Goals:**

**Objectives:**

1. Ensure that insurance-related complaints and inquiries are handled in a timely and accurate manner.
  - a. To maintain the average number of days required to investigate and close a life, accident, and health (LA&H) insurance complaint at 60 days.
  - b. To maintain the average number of days required to investigate and close a property and casualty (P&C) insurance complaint at 35 days.
  - c. To handle external review requests within time-frames required by law, i.e. one business day for standard requests and immediately for expedited requests.
2. Ensure that regulated entities comply with applicable laws, regulations, and their policy contracts.
  - a. To protect Illinois insurance consumers by conducting examinations on insurers whose complaint volume suggests possible non-compliance with laws, regulations, and their policy contracts.
  - b. To schedule and complete follow-up market conduct examinations on insurers whose prior exams resulted in orders requiring corrective action to determine if the insurers have complied.
  - c. To schedule and complete targeted exams to determine market practices on issues of interest to the executive or legislative branches.
3. Enforce licensing and continuing education requirements for individuals and other licensed entities, determining, by investigation, that entities are in compliance with laws and regulations.
  - a. To process 100% of all new online license requests within one working day of the date on which the National Insurance Producer Registry (NIPR) receives the information. Depending on volume, licensing needs and other circumstances, process approximately 98% of the new paper applications received within 30 working days.
  - b. To process 100% of all renewed online license requests within one working day of the date on which the NIPR receives the information. Depending on volume, licensing needs and other circumstances, process approximately 98% of the renewal paper applications received within 30 working days.



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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

- c. To respond to potential licensing violations committed by applicants and licensees through investigations and examinations of selected insurance producers and other entities. Depending on complaint volume, regulatory needs and other circumstances, approximately 250 investigations and examinations will be conducted each year.
- 4. Protect consumers by providing information needed to make decisions on a broad range of insurance issues and assisting consumers with specific concerns pertaining to coverage, claims, underwriting and other consumer financial issues.
  - a. To provide specialized assistance during disasters by providing, within 24 hours of a declaration of the disaster, contact with necessary parties, and when necessary, on-site consumer education and information at all sites declared as state disaster areas in the fiscal year.
  - b. To attend Department of Commerce and Economic Opportunity Rapid Response meetings when called and provide laid-off or soon-to-be unemployed consumers with information regarding the importance of understanding Credit History and Scoring as used in insurance, options regarding 401K accounts, along with information regarding other financial decisions made by these consumers.
  - c. To make presentations at educational seminars conducted by trade groups, associations, labor unions and business organizations regarding the functions and duties of the Department of Insurance relating to insurance and financial issues.
  - d. To act as the Department's Outreach contact with communities, insurance companies, insurance trade associations and other entities seeking educational information or assistance from the Department of Insurance.

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

**Fund: Insurance Producer Administration Fund  
Statutory Authority: 215 ILCS 5/500-135**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual (a)</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>Input Indicators</u></b>					
• Total expenditures – all sources (in thousands)	\$17,885.9	\$17,420.6	\$22,804.5	\$17,694.4	\$24,930.1
• Total expenditures – state appropriated funds (in thousands)	\$17,885.9	\$17,420.6	\$22,804.5	\$17,694.4	\$24,930.1
• Average monthly full-time equivalents	118.0	109.0	150.0	118.0	162.0
<b><u>Output Indicators</u></b>					
• Number of LA&H & P&C consumer complaints closed	8,788	7,715	8,486	8,965	9,800
• Number of written inquiries responded to (oral, written, internet) also includes Chicago	101,632	55,236	58,360	51,275	52,536
• Number of LA&H and P&C market conduct exams completed	19.0	32.0	30.0	46.0	40.0
• Number of market conduct corrective orders issued (a)	12.0	26.0	15.0	42.0	40.0
• Number of new/renewal licenses processed by Producer Licensing Section	112,486	88,588	91,000	89,563	90,000
• Number of LA&H and P&C form and rate filings processed	44,773	42,533	45,650	42,721	43,000
• Utilization Review Applications Processed (URO renewals are based upon a two year cycle)	169.0	143.0	150.0	132.0	140.0
• PPO Annual Renewal Applications processed	31.0	127.0	135.0	123.0	135.0
• HMO complaints closed	344.0	334.0	380.0	448.0	500.0
• HMO policy form filings processed	170.0	395.0	400.0	288.0	310.0

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual (a)</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>Output Indicators</u></b> (Continued)					
• Number of people reached by Outreach's radio presentations	2,600,000	200,000	250,000	250,000	300,000
• Number of Fact Sheets available on Department Internet Site	96.0	94.0	105.0	108.0	112.0
• Number of other and senior citizens presentations by Outreach Unit (b)	300.0	325.0	200.0	72.0	80.0
• Number of External Reviews closed	685	1,198	1,080	1,525	1,800
<b><u>Outcome Indicators</u></b>					
• Reduction in number of P&C companies with over 5 complaints closed, whose average consumer complaint response time is greater than 21 days	2.0	1.0	1.0	3.0	1.0
• Reduction in number of LA&H companies with over 5 complaints closed, whose average consumer complaint response time is greater than 21 days	3.0	2.0	2.0	2.0	2.0
• Percentage of auto/homeowners insurers complying with prompt payment standards	95%	95%	95%	95%	95%
• Percentage reduction in companies not in compliance with previous market conduct examination orders	33%	0%	0%	0%	0%
• Additional claim dollars paid to consumers (c) (in dollars)	\$72,965	\$24,304	\$25,000	\$110,000	\$100,000
• Premium overcharges returned to consumers (in dollars)	\$300	\$3,677	\$1,000	\$900	\$1,000

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual (a)</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>Efficiency/Cost-Effectiveness</u></b>					
• Percentage of new license applications processed electronically, within one working day	100%	100%	100%	100%	100%
• Percentage of renewal license applications processed electronically, within one working day	100%	100%	100%	100%	100%
• Percentage of new paper license applications processed electronically, within one working day	63%	97%	98%	98%	98%
• Percentage of renewal paper license applications processed electronically, within one working day	63%	98%	98%	98%	98%

**Footnotes**

- (a) Increase due to additional focus on DOI Market Conduct Unit. Increased staffing and outside contracted examiners resulted in the issuance of more Orders.
- (b) The Department's Outreach Field Coordinator retired within the last fiscal year and the position has not been filled at this time. The offered programmatic numbers reflect this change.
- (c) The increase in additional Claims dollars is also the result of increased focus on Market Conduct, including increased departmental staff and outside contracted examiners. Additionally, it is a result of a revision to the Department's approach in calculating civil forfeiture payments.

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

**Division of Insurance, Financial/Corporate Division**

**Mission Statement:** To protect consumers by monitoring and ensuring the solvency of Illinois-based insurance companies; to make certain that insurance companies and producers adhere to state insurance laws and regulations; and to work with insurance regulators from other states to maintain and enhance the efficiency of state based insurance regulation.

**Program Goals:**

**Objectives:**

1. Conduct periodic financial examinations, identify and work with companies on solvency problems and, when warranted, take corrective regulatory action.
  - a. To conduct financial examinations pursuant to a schedule which ensures that all domestic insurance companies are examined not less frequently than every five years as required by Illinois law and National Association of Insurance Commissioners (NAIC) Financial Regulation Accreditation Standards.
  - b. To conduct more frequent financial examinations of domestic insurance companies identified as priorities.
2. Ensure that regulated entities conduct business according to the incorporation, licensing, registration, and transaction approval requirements specified by applicable law and regulation.
  - a. To renew by July of each year certificates of authority for all authorized foreign and alien companies operating in Illinois, and all approved/accredited foreign and alien insurers operating in Illinois by September 1 of each year.
  - b. To review and process all transactions (e.g., new requests for incorporation, requests for corporate changes) within thirty (30) days of the date on which all information necessary to act on the request is available.
3. Provide advisory services to Illinois public pension funds, retirement systems and their participants and assess compliance with applicable law and regulation.
  - a. To conduct more frequent examinations of public pension funds in order to achieve a decrease on the time interval between examinations.
  - b. To process all annual financial statements from public pension funds and retirement systems within ten (10) days of receipt of the annual statement.

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

**Funds: Public Pension Regulation Fund, Insurance Financial Regulation Fund  
Statutory Authority: 215 ILCS 5/408.3; 30 ILCS 105/8f**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>Input Indicators</u></b>					
• Total expenditures - all sources (in thousands)	\$19,288.6	\$19,608.8	\$29,869.0	\$20,499.1	\$30,076.2
• Total expenditures - state appropriated funds (in thousands)	\$19,288.6	\$19,608.8	\$29,869.0	\$20,499.1	\$30,076.2
• Average monthly full-time equivalents	138.0	135.0	188.0	130.0	182.0
<b><u>Output Indicators</u></b>					
• LA&H and P&C financial exams started	71.0	62.0	105.0	119.0	52.0
• LA&H, P&C & HMO annual financial statements reviewed	369.0	362.0	375.0	357.0	375.0
• LA&H, P&C & HMO quarterly financial statements reviewed	913.0	883.0	900.0	833.0	900.0
• Corrective orders, stipulation and consent orders, and notices of impairment issued	4.0	2.0	2.0	2.0	2.0
• Certificates of authority renewed	1,407	1,435	1445	1,414	1,425
• Cease and desist and consent orders issued	2.0	6.0	6.0	2.0	4.0
• Pension fund exams started	90.0	81.0	95.0	94.0	95.0
• Pension fund exams completed	89.0	76.0	95.0	71.0	95.0
• Pension fund annual statements reviewed	834.0	762.0	750.0	767.0	760.0
• LA&H/HMO/P&C limited exams started	8.0	8.0	8.0	5.0	7.0
• Service contract provider registrations-new & renewal	163.0	183.0	190.0	211.0	220.0
• Risk retention groups registered	113.0	115.0	116.0	106.0	108.0
• LA&H/HMO/P&C exams scheduled	80.0	105.0	105.0	52.0	52.0
• LA&H/HMO/P&C limited exams scheduled	8.0	9.0	9.0	7.0	5.0
• LA&H/P&C annual financial statements received (a)	312.0	394.0	400.0	357.0	400.0

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>Output Indicators</u></b> (Continued)					
• LA&H and P&C quarterly financial statements received	837.0	894.0	900.0	907.0	900.0
• Investigations initiated	11.0	15.0	15.0	16.0	20.0
• Pension Fund annual statements received	661.0	664.0	670.0	671.0	667.0
• Number of company transaction requests reviewed	819.0	890.0	925.0	957.0	950.0
• Number of certification transactions processed annually	9,356	8,177	8500	7,361	7,400
• Number of corporate change transactions processed annually	415.0	344.0	375.0	524.0	550.0
• Number of surplus lines producers - licensing - new and renewal	1,597	1,374	1,400	1,864	1,900
• Number of summons issued - for service of process on foreign and alien insurers	2,277	1,960	2,000	1,983	2,000
• Number of purchasing group registrations	25.0	31.0	25.0	20.0	25.0
<b><u>Outcome Indicators</u></b>					
• Percentage of financial analysis issues resolved	100%	100%	100%	100%	100%
• Ten (10) year rolling average of LA&H companies in receivership	2.9%	1%	1%	1%	1%
• Ten (10) year rolling average of P&C companies in receivership	3.24%	1.5%	1.5%	1.5%	1.5%
• Ten (10) year rolling average HMOs in receivership	0%	0%	0%	0%	0%
• Percentage of LA&H companies operating compared to previous year	95%	98%	98%	99%	99%
• Percentage of P&C companies operating compared to previous year	106%	100%	100%	99%	99%
• Percentage of HMOs operating compared to previous year	107%	100%	100%	102%	100%

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target /Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target /Projected</u>
<b><u>External Benchmarks</u></b>					
• National Association of Insurance Commissioners Accreditation Awarded	Yes	Yes	Yes	Yes	Yes

**Footnotes**

- (a) An increase in the number of exams started in fiscal year 2014, including several larger exams (groups that contain many companies), along with coordinated exam requests (NAIC), have led to a reduced number of exams scheduled in fiscal year 2014 and 2015. The number of exams scheduled, fiscal year 2014 actual and fiscal year 2015 projected, are based upon requirements as set forth by statute.