



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND

Financial Audit
For the Year Ended June 30, 2021

Release Date: June 9, 2022

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 1							

This digest covers the Department of Central Management Services (Department), Community College Health Insurance Security Fund financial audit as of and for the year ended June 30, 2021.

SYNOPSIS

- (21-01) The Department failed to determine premiums that will allow for the establishment of an actuarial sound reserve for the Community College Health Insurance Program.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT**

For the Year Ended June 30, 2021

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)	FY 2021	FY 2020
Additions		
Contributions		
Employer.....	\$ 4,649	\$ 4,598
State.....	4,649	4,598
Active Plan Member	4,649	4,598
Federal Government Medicare Part D.....	202	97
Total Contributions.....	<u>14,149</u>	<u>13,891</u>
Interest Income.....	5	25
Total Additions.....	<u>14,154</u>	<u>13,916</u>
Deductions		
Benefit Payments and Refunds.....	25,827	22,802
General and Administrative Expenses.....	4,492	4,229
Total Deductions.....	<u>30,319</u>	<u>27,031</u>
Net Additions (Deductions).....	(16,165)	(13,115)
Unrestricted Net Position.....		
Beginning of Year.....	(87,971)	(74,856)
End of Year.....	<u>(104,136)</u>	<u>\$ (87,971)</u>
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)		
	June 30, 2021	June 30, 2020
Total OPEB Liability- Beginning.....	\$ 1,734,793	\$ 1,813,684
Net Change in Total OPEB Liability	\$ (103,396)	\$ (78,891)
Total OPEB Liability- Ending.....	\$ 1,631,397	\$ 1,734,793
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	-6.38%	-5.07%
PARTICIPANT INFORMATION		
	FY 2021	FY 2020
Number of Retirees.....	6,708	6,667
Number of Inactive, Nonretired Members.....	6,214	6,181
Number of Active Members.....	19,790	19,757
Total.....	<u>32,712</u>	<u>32,605</u>
Number of Participating Employers.....	39	39
Number of Nonemployer Contributing Entities.....	1	1
AGENCY DIRECTOR		
During Audit Period: Janel Forde		
Currently: Janel Forde		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO DETERMINE PREMIUMS THAT
ALLOW FOR ESTABLISHMENT OF ACTUARIAL
SOUND RESERVE**

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2021 testing, we continued to identify exceptions, as noted below:

**Fund coverage exceeded the
statutorily allowed insurance rate of
75%**

- The State Employees Group Insurance Act of 1971(5 ILCS 375/6.9(e)(1) (Act)) states, for a community college benefit recipient, up to 75% of the total insurance rate shall be paid from the Community College Health Insurance Security Fund (Fund). During testing, we noted the Fund covered 75.044% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$10,846.

**1.619% of insurance rate that was
benefit recipient's responsibility was
covered by the Fund**

- The Act (5 ILCS 375/6.(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 1.619% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$38,633.

**Fund deficit of \$104.136 million and
no reserve**

Additionally, the Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program. At June 30, 2021 the Program had a fund deficit of \$104.136 million and the Program experienced a loss of \$16.165 million. The Program does not have an actuarially sound reserve. (Finding 1, pages 24-26)

We recommended the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommended the Department either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Community College Health Insurance Program or seek legislative relief from the statutory requirement.

**Department accepted
recommendation**

The Department accepted the finding and recommendation and stated that with the passage of the Fiscal Year 2023 budget, there was established an additional \$25M appropriation from the General Revenue Fund for deposit into the Community College Health Insurance Security Fund. The Department stated that while this will not completely eliminate the backlog of payables, it will provide some reduction. Additionally, the Department stated it will continue to work with the Governor’s Office, the Governor’s Office of Management and Budget, the General Assembly, and the various constituency representative to develop a legislative solution to the funding issues of the program.

AUDITOR’S OPINION

The auditors stated the financial statements of the Department of Central Management Services, Community College Health Insurance Security Fund as of and for the year ended June 30, 2021, are fairly stated in all material respects.

This financial audit was conducted by Sikich LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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