



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
University Benefits Analysis Schedules

Compliance Examination
 For the Year Ended June 30, 2017

Release Date: November 29, 2017

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2016	17-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

The Department of Central Management Services pays for the group insurance costs for certain university employees on behalf of all State-operated universities in Illinois. At the end of each fiscal year, the Department prepares the University Benefits Analysis Report that summarizes exempt and non-exempt employees and exempt and non-exempt funding. These amounts are utilized in the universities' fiscal year financial reporting. The State Comptroller also uses these amounts to determine the amount of on-behalf revenue to allocate to the universities.

SYNOPSIS

- (17-1) The Department used inaccurate data during the calculation of the University Benefit Analysis.

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.

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INACCURATE DATA USED DURING CALCULATION
OF THE UNIVERSITY BENEFIT ANALYSIS**

During our examination of the University Benefit Analysis (UBA) for June 30, 2017, we noted errors in the data used by the Department of Central Management Services resulting in misstatements of the estimated cost of health insurance benefits paid on-behalf of State universities.

Errors in the data used included the following:

- During our testing of non-exempt contributions, we noted a \$1,160,893 payment was erroneously entered into the Benefits Reimbursement System for the University of Illinois at Urbana-Champaign that was not a non-exempt contribution payment. Because this additional payment was entered, the amount of health insurance coverage costs paid by the Department on behalf of State universities was understated by \$1,160,893. The Department did not adjust the UBA for this understatement.
- The average cost per employee is a figure shown at the bottom of the UBA schedule, which represents the Department's estimated average cost of group health insurance benefits per covered member during the fiscal year. This figure is calculated as part of the annual State Employees Group Insurance Program rate setting process. During our review of the calculation, we noted the Department included a \$9,897,414 estimated Affordable Care Act (ACA) payment in the average cost calculation. However, a sunset provision in ACA on reinsurance fees was effective on December 31, 2016. Therefore, the Department did not pay this fee in fiscal year 2017, and this amount should not have been included as part of the calculation. As a result, the estimated costs paid by the Department on behalf of State universities were overstated by \$4,732,447. The Department did not adjust the UBA for these overstatements. (Finding 1, pages 7-8).

Payment erroneously included

Estimated costs overstated by over 4 million.

We recommended the Department implement procedures to ensure the preparation of the University Benefits Analysis is based on accurate and reliable data.

Department agrees with auditors

The Department agreed with the recommendation. The Department will strive to implement financial reporting procedures to ensure the accuracy, reliability, and reasonableness of data utilized to perform the University Benefit Analysis.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of management's assertions regarding the University Benefits Schedules for the year ended June 30, 2017. The accountants qualified their report on State compliance for Finding 2017-001. Except for the noncompliance described in this finding, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Sikich LLP.

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JANE CLARK
Division Director

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

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FRANK J. MAUTINO
Auditor General

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