



**STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2019

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



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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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Other Reports Issued Under a Separate Cover:

The Department of Central Management Services’ financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2019, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2019, on our consideration of the Department’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Central Management Services’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
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AGENCY OFFICIALS

Director	Janel Forde (2/18/20 – present) Janel Forde, Acting (1/21/19 – 2/17/20) Sarah Kerley, Acting (1/5/19 – 1/20/19) Tim McDevitt, Acting (3/3/18 – 1/4/19) Michael Hoffman, Acting (through 3/2/18)
Assistant Directors	Michael Merchant, Acting (7/15/19 – present) Vacant (3/23/19 – 7/14/19) Ben Jones, Acting (6/22/18 – 3/22/19) Sarah Kerley, Acting (2/1/18 – 1/4/19) Amiel Harper (8/1/17 – 6/15/18) Markus Veile (through 1/31/18)
Chief of Staff	Anthony Pascente (4/10/19 – present) Vacant (through 4/9/19)
Chief Administrative Officer	Mark Mahoney (4/15/19 – present) Vacant (through 4/14/19)
Chief Operating Officer	Ayese gul Kalaycioglu (4/18/19 – present) Vacant (2/1/19 – 4/17/19) Ngozi Okorafor (8/1/18 – 1/31/19) Vacant (through 7/31/18)
Chief Fiscal Officer	Karen Pape, Acting (4/16/19 – present) Mark Lewis (through 4/15/19)
General Counsel	Terrence Glavin (7/22/19 – present) Vacant (1/1/19 – 7/21/19) Kathleen Abbott, Acting (7/2/18 – 12/31/18) Vacant (through 7/1/18)
Chief Internal Auditor	Jack Rakers (5/16/18 – present) Jack Rakers, Acting (through 5/15/18)

Agency main offices are located at:

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



MANAGEMENT ASSERTION LETTER

Sikich LLP
3201 West White Oaks Dr. Suite 102
Springfield, IL 62704

June 15, 2020

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 Central Management Services. 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 Central Management Services' compliance with the following specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the State of Illinois, Department of Central Management Services has materially complied with the specified requirements listed below.

- A. The State of Illinois, Department of Central Management Services 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 Central Management Services 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. Other than what was previously disclosed, the State of Illinois, Department of Central Management Services 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 Central Management Services 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 Central Management Services on behalf of the State or held in trust by the State of Illinois, Department of Central Management Services have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Central Management Services

SIGNED ORIGINAL ON FILE

Janel Forde, Director

SIGNED ORIGINAL ON FILE

Karen Pape, Acting Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Terrence Glavin, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information For State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and a material weakness over internal control.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	12	9
Repeated findings	5	5
Prior recommendations implemented or not repeated	4	4

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last</u> <u>Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)				
2019-001	13	NEW	Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act	Material Weakness and Material Noncompliance
2019-002	18	NEW	Failure to Determine Premiums that Allow for Establishment of Actuarial Sound Reserve	Material Weakness and Material Noncompliance
2019-003	19	2017	Inadequate Controls over Property and Equipment	Significant Deficiency and Noncompliance
2019-004	23	2017	Inadequate Monitoring of Interagency Agreements	Significant Deficiency and Noncompliance
2019-005	24	2017	Failure to Timely Conduct Yearly Performance Appraisals	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) (Continued)				
2019-006	25	2017	Noncompliance with the State Employment Records Act	Significant Deficiency and Noncompliance
2019-007	27	NEW	Weaknesses Related to Personal Services	Significant Deficiency and Noncompliance
2019-008	29	NEW	Untimely and Inaccurate Processing of Receipts	Significant Deficiency and Noncompliance
2019-009	31	NEW	Inadequate Review of External Service Providers	Significant Deficiency and Noncompliance
2019-010	34	NEW	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2019-011	36	2017	Inadequate Controls over Electronic Surplus Property	Significant Deficiency and Noncompliance
2019-012	39	NEW	Noncompliance with Statutory Mandates	Noncompliance

PRIOR FINDINGS NOT REPEATED

A	42	Weaknesses in Internal Control over Financial Reporting		
B	42	Untimely Processing of Refunds		
C	42	Noncompliance with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act		
D	42	Noncompliance Related to Public Liability Claims		

EXIT CONFERENCE

The Department waived an exit conference in correspondence from Jack Rakers, Chief Internal Auditor, on June 15, 2020. The responses' to the recommendations were provided by Jack Rakers, Chief Internal Auditor, in correspondence dated June 15, 2020.

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INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Central Management Services with the specified 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, 2019. Management of the Department of Central Management Services is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department of Central Management Services’ compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department of Central Management Services 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 Department of Central Management Services 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 Department of Central Management Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 the Department of Central Management Services had not 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 Department of Central Management Services 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 Department of Central Management Services on behalf of the State or held in trust by the Department of Central Management Services 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department of Central Management Services complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department of Central Management Services complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Department of Central Management Services' compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department of Central Management Services during the two years ended June 30, 2019. As described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 the Department of Central Management Services had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Department of Central Management Services complied with the specified requirements during the two years ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-003 through 2019-012.

The Department of Central Management Services' responses to the findings identified in our examination are described in the accompanying Schedule of Findings. The Department of Central Management Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control over Compliance

Management of the Department of Central Management Services is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Department of Central Management Services' internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department of Central Management Services' compliance with the specified requirements and to test and report on the Department of Central Management Services' internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department of Central Management Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Central Management Services' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-003 through 2019-011 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 Department of Central Management Services' responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department of Central Management Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department of Central Management Services as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated December 16, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department of Central Management Services' basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 16, 2019. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 7 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Department of Central Management Services. Such information is the responsibility of Department of Central Management Services' management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 7 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 7 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department of Central Management Services' basic financial statements as of and for the year ended June 30, 2018 and June 30, 2017 (not presented herein), and have issued our reports thereon dated March 25, 2019 and January 25, 2018, respectively, which contained unmodified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department of Central Management Services. The accompanying supplementary information for the years ended June 30, 2018 and June 30, 2017 in Schedules 2, 3, 4, 6 and 7 is the responsibility of Department of Central Management Services' management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018 and June 30, 2017 financial statements. The accompanying supplementary information for the years June 30, 2018 and June 30, 2017 in Schedules 2, 3, 4, 6 and 7 has been subjected to the auditing procedures applied in the audits of the years ended June 30, 2018 and June 30, 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2018 and June 30, 2017 in Schedules 2, 3, 4, 6 and 7 is fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2018 and June 30, 2017.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
June 15, 2020

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department of Central Management Services, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department of Central Management Services' basic financial statements, and have issued our report thereon dated December 16, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Central Management Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

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Springfield, Illinois
December 16, 2019

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

SCHEDULE OF FINDINGS

CURRENT FINDINGS – State Compliance

2019-001. FINDING (Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act)

The Department of Central Management Services (Department) entered into interagency agreements that failed to adhere to the provisions of the Fiscal Control and Internal Auditing Act (Act).

The Act requires each designated State agency to maintain a full-time program of internal auditing (30 ILCS 10/2001(a)). In addition, each chief internal auditor transferred under Executive Order 2003-10 to the Department of Central Management Services shall be transferred to the auditor's designated State agency, and if an auditor does not have a designated State agency or has more than one designated State agency, then the chief executive officer of a State agency shall appoint such person as the chief internal auditor of a State agency (30 ILCS 10/2001(a-5)). The Act also states, “[a]gencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services” (30 ILCS 10/2001(b)).

During the engagement period, the Department entered into interagency agreements with the following designated State agencies to provide internal audit services:

- Illinois Department of Agriculture
- Illinois Department of Corrections
- Illinois Department of Financial and Professional Regulation
- Illinois Department of Human Rights
- Illinois Department of Labor
- Illinois Department of Insurance
- Illinois Finance Authority

We noted the following issues with these interagency agreements:

- The Illinois Department of Agriculture, the Illinois Department of Corrections, the Illinois Department of Financial and Professional Regulation, the Illinois Department of Human Rights, the Illinois Department of Labor, the Illinois Department of Insurance and the Illinois Finance Authority are defined as designated State agencies under 30 ILCS 10/1003(a). The interagency agreements ultimately resulted in these seven agencies not maintaining their own full-time internal audit function and not having their own CIA.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

2019-001. FINDING (Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act) (Continued)

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as the Department of Central Management Services. In other words, each designated State agency must have a full-time program of internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from the Department.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into a bureau at the Department. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in the Department and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

The Illinois Office of the Auditor General contacted the Illinois Attorney General for a ruling on the Department acting as the full-time internal audit function for these agencies. The Attorney General ruled in a recent Opinion No. 19-001, issued August 9, 2019, on page 18, that multiple designated State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act (15 ILCS 15). The ruling was issued after these agreements were executed.

- The Department did not obtain the Governor's approval for the Department to provide professional internal auditing services to these State agencies.

The Code (20 ILCS 405/405-293(a)) states that Department "is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10. . ." Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state that the Department may "with the approval of the Governor, provide additional services to or on behalf of State agencies." "Additional services" is not defined and no approval for the Department to provide internal auditing services specifically to these designated State agencies under the Act was obtained from the Governor.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
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For the Two Years Ended June 30, 2019

2019-001. FINDING (Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act) (Continued)

- During testing of the reimbursement to the Department, we noted the following reimbursement arrangements:

Agency	Reimbursement Arrangement
Illinois Department of Agriculture	Allows the Department to use Illinois Department of Agriculture appropriations for processing payroll.
Illinois Department of Corrections	When and if more than two full-time equivalent employees are hired, the payroll expenses will be supported by the Illinois Department of Corrections via payroll agreements.
Illinois Department of Financial and Professional Regulation	Allows the Department to use Illinois Department of Financial and Professional Regulation appropriations for processing payroll.
Illinois Department of Human Rights	The Illinois Department of Human Rights agrees to transfer one full-time equivalent employee to the Department. Upon termination of this agreement, the Department will reimburse the Illinois Department of Human Rights for the full-time equivalent employee.
Illinois Department of Labor	The Illinois Department of Labor agrees to transfer one full-time equivalent employee to the Department. Upon termination of this agreement, the Department will reimburse the Illinois Department of Labor for the full-time equivalent employee.
Illinois Department of Insurance	Allows the Department to use Illinois Department of Insurance appropriations for processing payroll.
Illinois Finance Authority	The Department is to pay all expenses related to the agreement.

- The Department inconsistently established reimbursement arrangements for these agreements and did not follow any of the reimbursement arrangements in the interagency agreements. The Department did not seek reimbursement for providing internal audit services during fiscal years 2018 or 2019 in accordance with any of the agreements. The Department plans to recoup costs for providing internal audit services through Professional Services Fund billings in fiscal years 2020 and 2021. These costs will be allocated to all State Agencies utilizing services from the Professional Services Fund. Since the Department does not plan to process vouchers through the Illinois Department of Agriculture’s, Illinois Department of Financial and Professional Regulation’s or Illinois Department of Insurance’s appropriations, we believe there is a significant internal control risk with potentially delegating a State’s appropriation authority unnecessarily.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
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2019-001. FINDING (Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act) (Continued)

- Each agreement includes a clause requiring the agencies and the Department to maintain for a minimum of three years after completion of the agreement, adequate books, records and supporting documents to verify the amounts, recipients and uses of all disbursements of funds passing in conjunction with the Agreement and to make the Agreement available for review and audit by each party and the Auditor General of the State of Illinois. The Department was not able to provide sufficient and appropriate audit evidence to document how they tracked the work performed and allocated the costs of their internal auditing services for these agencies. As a result, we were unable to audit the cost of the Department's internal audit services provided to these agencies.

The Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management stated it believed its practice initially met the requirements under the Act. The Department stated many of the agencies it supported had a difficult time finding candidates that met their auditing needs. Department management stated its main focus was on ensuring that audits and internal audit documents were completed. Department management stated the Department's billing practice did not reflect the most up-to-date intergovernmental agreements due to the complexities of invoicing for an individual's services across multiple agencies and payroll systems.

The establishment of intergovernmental agreements to provide internal audit functions to other designated agencies hinders the operational autonomy intended by the General Assembly for internal auditors. Management at these agencies cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with the Department at any time for any reason.

Failure to obtain the approval of the Governor for expanding the professional services provided by the Department limits governmental oversight and represents noncompliance with the Code.

Granting the Department authorization to expend the agency payroll appropriations weakens its overall internal control environment and represents noncompliance with State law. Lastly, failure to adequately track internal audit costs of providing services to other agencies results in managements' and the auditor's inability to determine the cost of these services to the State. (Finding Code No. 2019-001)

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2019-001. FINDING (Failure to Adhere to the Provisions of the Fiscal Control and Internal Auditing Act) (Continued)

RECOMMENDATION

We recommend the Department not enter into interagency agreements which result in agencies not maintaining their own full-time internal audit function. We recommend any other services provided to agencies be done only with the approval of the Governor. Finally, we recommend the Department update its billing practices to ensure support for all billing is created and maintained.

DEPARTMENT RESPONSE

The Department accepts the recommendation and respects the Attorney General's Opinion. The Department has encouraged all agencies to find a qualified Chief Internal Auditor. During the period under audit, the Department issued fifty audit reports to agencies that would have not otherwise had internal audits completed.

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2019-002. FINDING (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 actuarial sound reserve for the Community College Health Insurance Program.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) (Act) 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, 2019 and 2018, respectively, the Community College Health Insurance Program had a fund deficit of \$74.9 million and \$64.5 million, respectively. Additionally, the Community College Health Insurance Program experienced losses of \$10.3 million and \$13.2 million in fiscal years 2019 and 2018, respectively. The Community College Health Insurance Program does not have a reserve.

Department management stated that while the Department has historically dealt with a prolonged hold cycle in the Community College Health Insurance Program, the balance between delayed payments and excessive premium increases has been weighed to protect the affordability of coverage for the over 7,000 enrollees while continuing to manage the finances with limited resources prescribed in the Act.

Failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Community College Health Insurance Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance. (Finding Code No. 2019-002)

RECOMMENDATION

We recommend 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 RESPONSE

The Department accepts the recommendation. The Department worked with the Governor's Office of Management and Budget to draft and propose for introduction an amendment to the State Employees Group Insurance Act of 1971. The amendment is designed to provide for the establishment and maintenance of a reserve balance for the Community College Health Insurance Program.

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2019-003. FINDING (Inadequate Controls over Property and Equipment)

The Department of Central Management Services (Department) did not demonstrate adequate controls over property and equipment during the engagement period. Specific deficiencies noted as a result of our testing are described below.

Additions and Location of Equipment

During our testing of the additions of equipment, we noted the following exceptions:

- One of 40 (3%) expenditures, totaling \$117, did not appear on the property records despite meeting the requirements for inclusion. This item was below the \$1,000 threshold for inclusion but was required to appear on the listing because it is susceptible to theft. We also noted two of 40 (5%) expenditures, totaling \$30,587, that should have been included on the annual Certification of Inventory and Discrepancy Reports submitted to the Department's Bureau of Property Management. The Illinois Administrative Code (44 Ill. Adm. Code 5010.460) requires agencies to provide the Department, on an annual basis, a listing of all equipment items with a value greater than the nominal value, and equipment that is subject to theft with a value less than the nominal value. According to the Illinois Administrative Code (44 Ill. Adm. Code 5010.105(d)), nominal value means the value of an item as defined in Section 6.02 of the State Property Control Act (30 ILCS 605/6.02), which is \$1,000.
- Forty-three of 60 (72%) assets tested were not entered into either the Common Inventory System (CIS) or the Enterprise Resource Planning (ERP) timely. The late entry ranged from six to 5,782 days late. Effective May 3, 2019, the Illinois Administrative Code (44 Ill. Adm. Code 5010.400) required all property records to be adjusted within 90 days of acquisition, change, or deletion. Prior to May 3, 2019, agencies were required to adjust property records within 30 days of acquisition, change, or deletion.
- Three of 60 assets tested (5%) (a bench grinder pedestal, a cabinet, and an air conditioner) were not properly valued when the cost of the assets were traced to corresponding documentation. The bench grinder pedestal and cabinet were recorded at \$61 and \$405, respectively, but should have been recorded at \$68 and \$381, respectively. The air conditioner was recorded at \$4,684. We were not able to determine if it was properly recorded because we were not provided the voucher for the purchase due to the item not being given a tag number when purchased. The Statewide Accounting Management System (SAMS) Procedure 03.30.20 requires capital assets to be reported at historical cost and include ancillary costs to be placed in service such as the cost of freight.

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2019-003. FINDING (Inadequate Controls over Property and Equipment) (Continued)

- One of 30 (3%) assets, totaling \$464, selected from property records could not be physically located due to being scrapped. The State Property Control Act (30 ILCS 605/4) requires responsible officers of the State maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure proper accounting and safeguarding of State assets. In addition, the Illinois Administrative Code (44 Ill. Adm. Code 5010.400) required all property records to be adjusted within 90 days of acquisition, change, or deletion. Prior to May 3, 2019, agencies were required to adjust property records within 30 days of acquisition, change, or deletion.
- Five of 30 (17%) assets selected from various locations were not listed on the Department's property records. The State Property Control Act (30 ILCS 605/4) requires responsible officers of the State maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure proper accounting and safeguarding of State assets. In addition, the Illinois Administrative Code (44 Ill. Adm. Code 5010.400) required all property records to be adjusted within 90 days of acquisition, change, or deletion. Prior to May 3, 2019, agencies were required to adjust property records within 30 days of acquisition, change, or deletion.

In the previous engagement, the Department stated the exceptions noted were due to a delayed submission of information to the Property Control Officer (PCO) and limited personnel to enter the data. The Department also attributed the cause of the errors to the failure of the PCOs to follow established procedures, the delays in the payment of the vouchers caused by the budget impasse, which delayed information being submitted to the PCOs, and oversight. In the current engagement, Department management stated issues noted were caused by a multitude of reasons. In the rush to transition inventory systems, CIS was not completely and accurately updated by the Property Control Office before the transition to the ERP inventory system causing records to be loaded that should not have been or that contained incorrect data. Additionally, the Property Control Office continues to deal with staff inefficiencies, including a shortage of competent staff and staff turnover perpetuating the lack of basic knowledge and understanding regarding the complexities of the new ERP inventory system, which contributed to the delay of entering records.

Deletions and Transfers

During our testing of deletions and transfers of equipment, we noted the following exceptions:

- The Department included four assets (camera, automobile, salt spreader, and pallet racking system), totaling \$28,792, on its June 30, 2019 Property Listing that were transferred throughout fiscal year 2019.

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2019-003. FINDING (Inadequate Controls over Property and Equipment) (Continued)

- The Department did not provide all required information on the CMS Surplus Property Delivery Form for four of 60 (7%) items tested. The acquisition cost and date were missing related to a laptop computer, two cellular phones, and a server.
- We noted two assets were assigned the same tag number when we tested a camera with a cost of \$1,619.
- For two of 60 (3%) deletions or transfers tested (automobile and salt spreader), the Department could not provide any supporting documentation for our testing.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.310) establishes the rules for proper recording of transfers and disposals, including information and documentation required to be maintained in agency files. The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department be accountable for the supervision, control and inventory of all items under its jurisdiction and control.

In the previous engagement, the Department stated the exceptions were caused by staff improperly completing the surplus paperwork or failing to submit it to the PCO. In the current engagement, Department management stated issues noted were caused by the difficulties caused by the transition to ERP and human error.

Failure to maintain accurate property records increases the potential for theft or misappropriation of assets. The untimely update of property to the Department's inventory may result in inaccurate fixed asset reports and misstated financial information. The errors noted above were considered immaterial to the financial statements and no adjustments were considered necessary. However, the exceptions noted represent noncompliance with State statute and the Illinois Administrative Code. (Finding Code No. 2019-003, 2017-002, 2015-003, 2013-003, 11-3, 09-6, 08-6, 07-10, 06-10, 05-18, 04-18, 02-1)

RECOMMENDATION

We recommend the Department implement controls and procedures to ensure its additions are entered timely and accurately, deletions are properly recorded, and the Agency Report of State Property is timely prepared to comply with State statute and the Illinois Administrative Code.

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2019-003. FINDING (Inadequate Controls over Property and Equipment) (Continued)

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department plans to hire additional staff and provide needed ERP training to the Property Control Office. The current Property Control procedures and workflows are being evaluated for efficiency and effectiveness. The definition of high theft equipment will be reevaluated and updated in the procedure manual. All equipment that does not meet the nominal value as determined by the State Property Control Act and JCAR will be removed from ERP if it does not meet the high theft designation.

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2019-004. FINDING (Inadequate Monitoring of Interagency Agreements)

The Department of Central Management Services' (Department) process to monitor interagency agreements was inadequate.

During our testing of the Department's interagency agreements, we noted 3 of 15 (20%) interagency agreements were not signed by all parties prior to the commencement of services. These agreements were signed between one and 14 days late.

The Illinois Intergovernmental Cooperation Act (5 ILCS 220/5) states that an agency may contract with another agency to transfer authority or privileges, provided that the contract is approved by both agencies. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements. Good internal controls require the approval of agreements prior to the effective date.

In the previous engagement, Department management stated circumstances did not always allow each interagency agreement to be fully executed before they became effective. In the current engagement, Department management stated underlying factors continue to create situations where interagency agreements are not always able to be signed timely. Department management stated those factors lie largely outside of the Department.

The Department entered into 110 agreements with other State agencies and other units of government during the examination period. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the contracts and agreements need to be approved prior to the effective date, and executed before the commencement of services. (Finding Code No. 2019-004, 2017-004, 2015-005, 2013-014, 11-15, 09-16, 08-18, 07-27, 06-17)

RECOMMENDATION

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.

DEPARTMENT RESPONSE

The Department accepts the recommendation and will ensure all interagency agreements are approved by an authorized signatory prior to the effective date of the agreement and are executed prior to the commencement of services. The Department's Office of the General Counsel will manage the review and execution of all such agreements.

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2019-005. FINDING (Failure to Timely Conduct Yearly Performance Appraisals)

The Department of Central Management Services (Department) failed to conduct employee evaluations on a timely basis.

During our testing of 60 employee performance evaluations, we noted evaluations for 11 (18%) employees were not conducted in accordance with Department policies or the Code. The evaluations were performed three to 97 days after the evaluation due date. In addition, evaluations were not performed for five out of 60 (8%) employees tested.

The Department's internal personnel policy states, "Participation in the evaluation process is a requirement for all CMS employees. Evaluations take place every 12 months..." The Illinois Administrative Code (80 Ill. Adm. Code 302.270(d)) (Code) requires each agency to prepare such evaluations not less often than annually.

During the prior and current engagement, Department management stated the exceptions were caused by staff doing more work with fewer employees, and the elimination of pay increases lessened the priority to complete employee evaluations in a timely fashion.

Annual employee evaluations help to support administrative personnel decisions by documenting regular performance measures. Late evaluations can cause delays in communicating positive and negative qualities of the employee's work performance. (Finding Code No. 2019-005, 2017-005, 2015-004, 2013-013)

RECOMMENDATION

We recommend the Department enforce its procedures throughout the Department to ensure the completion of performance evaluations in accordance with State rules and internal personnel policy.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Bureau of Personnel is providing Performance Review Training for all Department supervisory staff during June 2020 and will provide refresher training as required. The Department Bureau heads were instructed to come into compliance and complete outstanding employee evaluations.

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2019-006. FINDING (Noncompliance with the State Employment Records Act)

The Department of Central Management Services (Department) did not file accurate Agency Workforce Reports (reports) with the Office of the Governor and the Office of the Secretary of State.

During our testing of the 2017 Reports, we noted the following:

- The Department incorrectly reported 57% of Department employees were Asian males; however, only .57% of Department employees were Asian male.
- The Department incorrectly reported 83 openings filled for new hires due to a mathematical error. They should have reported 90.

The State Employment Records Act (Act) (5 ILCS 410/1 et seq.) requires State agencies to annually report to the Office of the Secretary of State and the Governor's Office the number of minorities, women, and physically disabled persons along with the related salary and statistical information to provide State officials and administrators with the information to help guide efforts to achieve a more diversified workforce. Additionally, the Act (5 ILCS 410/20) requires agencies to file, as public information and by January 1 each year, a copy of all reports required by this Act with the Office of the Secretary of State and submit an annual report to the Governor.

In the previous engagement, Department management stated the issues resulted from clerical errors, staff oversight and failure to review the filing carefully. In the current engagement, Department management stated the issues noted were caused by human error, in both inputting the data and in carefully reviewing the calculations to ensure they were correct.

The data contained in the report is important to the State's efforts in achieving a diversified workforce. Failure to accurately prepare the report results in noncompliance with the State Employment Records Act. (Finding Code No. 2019-006, 2017-006)

RECOMMENDATION

We recommend the Department ensure the Agency Workforce Report is properly completed. Additionally, the Department should file revised reports within 30 days after the release of the audit by the Auditor General as required by the Illinois State Auditing Act (30 ILCS5/3-2.2).

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2019-006. FINDING (Noncompliance with the State Employment Records Act)

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department understands the importance of properly completing the Agency Workforce Report and will make every effort to do so going forward. The Equal Employment Opportunity (EEO) Officer who prepared these reports retired, and this task is now being overseen by Deputy General Counsel-Personnel who will ensure that at least two individuals review the data for accuracy before filing the next report, due on January 1, 2021. We will explore the option of creating formulas to calculate the data rather than relying on manual calculations. Revised 2017 reports will be filed as soon as practicable but due to constraints caused by COVID-19 and the departure of the EEO Officer, it may not be possible to file these revised reports within 30 days after the release of the audit by the Auditor General as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2).

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2019-007. FINDING (Weaknesses Related to Personal Services)

The Department of Central Management Services (Department) demonstrated weaknesses related to personal services.

During testing, we noted the following:

- The Department failed to maintain and complete the *Employment Eligibility Verification Form* (Form I-9):
 - Form I-9 was absent for ten (17%) of 60 employees tested.
 - One (2%) of 60 employees signed the Form I-9 after the first day of employment.
 - Form I-9 for one (2%) of 60 employees was not signed by the employer within three business days of the hire.

The Immigration Reform and Control Act of 1986 (8 U.S. Code § 1324a) Part 274a: Control and Employment of Aliens (8 C.F.R. § 274a.2) states that person or entity that hires an individual for employment must ensure the individual properly completes Section 1 of Form I-9 at the time of hire and sign Section 2 of Form I-9 within three business days of the hire. Section 274a.2 further states a paper (with original handwritten signatures), electronic, original paper scanned into an electronic format, or a combination of paper and electronic, or microfilm or microfiche copy of the original signed version of Form I-9 must be retained by an employer for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later.

Department management stated the issues were caused by oversight.

Failure to comply with U.S. Department of Homeland Security regulations could subject the State to unnecessary legal costs and penalties.

- Department employees did not receive statutorily required training as follows:
 - One of 15 (7%) new employees tested did not complete the required ethics training within 30 days of the commencement of their employment. The State Officials and Employees Ethics Act (5 ILCS 430/5-10) requires public employees and appointees to complete ethics training at least annually. New employees, appointees, and officials are required to complete ethics training within 30 days of the commencement of their employment or office.

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2019-007. FINDING (Weaknesses Related to Personal Services) (Continued)

- Eight of 25 employees (32%) tested did not complete the sexual harassment training within 30 days of the commencement of their employment. The Human Rights Act (775 ILCS 5) requires employees to complete ethics training at least annually. The State Officials and Employees Ethics Act (5 ILCS 430/5-10.5) requires agencies to provide training on sexual harassment prevention and the agency's sexual harassment policy as a component of all ongoing or new employee training programs within 30 days of commencing their office or employment.

Department management stated during the new employee orientation each employee is provided the information on completing both Ethics Training and Sexual Harassment Training within the first 30 days of their employment. At the orientation, employees sign documentation agreeing to complete the training within 30 days. Due to competing priorities, there has been a lack of follow up with new employees regarding the onboarding trainings.

Failure to comply with statutory requirements related to employee training results in statutory noncompliance and could fail to establish expectations for employee behavior. (Finding Code No. 2019-007)

RECOMMENDATION

We recommend the Department ensure the original, properly completed Form I-9 is retained in employee personnel files. In addition, we recommend the Department ensure employees are trained as required by statute.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department believes the findings related to the I-9 Employment Eligibility Verification forms may have been the result of older employee files utilized in the sample. The Bureau of Personnel implemented New Employee Orientation (NEO) for all new Department employees as part of the onboarding process. New employees to the Department are required to submit the completed I-9 form as part of the onboarding on their first day of employment.

The Department is looking at opportunities to ensure compliance for statutorily required training both near-term and long-term by 1) initiating follow-up process by the Department's Ethics Officer to ensure employees have completed the required training within the specified timeline (near-term) and 2) developing and implementing a process for new employees to complete the required training as part of the New Employee Orientation (NEO) process (Long-Term).

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2019-008. FINDING (Untimely and Inaccurate Processing of Receipts)

The Department of Central Management Services (Department) did not deposit receipts in compliance with the State Officers and Employees Money Disposition Act or the Fiscal Control and Internal Auditing Act.

Six of 40 (15%) receipts tested, totaling \$4,965,887, were not deposited into the State treasury timely according to the provisions of the Act. The receipts were deposited between two and 20 business days late. Also, during our testing of 40 cash receipts, we noted one (3%) receipt tested, totaling \$244,483, was not recorded or deposited for the correct amount. The correct amount was \$245,736, a difference of \$1,253.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires payment into the State treasury the gross amount of money received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts of \$10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000, disregarding holidays, Saturdays and Sundays, after the receipt of the same, without any deduction on account of salaries, fees, costs, charges, expenses or claims of any description. The Department was granted a deposit extension of 10 days for 45 and 54 receipt codes in fiscal years 2018 and 2019, respectively, and 30 days for one receipt code during fiscal year 2018 and 2019.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department management stated the exceptions were mostly due to a deposit lag caused by system updates of the new Enterprise Resource Planning (ERP) accounting software program, the Bureau of Benefits dBase, and clerical errors.

Failure to deposit receipts in a timely and accurate manner results in noncompliance with the Act and FCIAA and results in inaccuracies in the Department's receipt records. (Finding Code No. 2019-008)

RECOMMENDATION

We recommend the Department implement the necessary procedures to ensure the deposits of receipts are made in a timely and accurate manner.

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2019-008. FINDING (Untimely and Inaccurate Processing of Receipts) (Continued)

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has fully implemented ERP for its receipt processing and does not anticipate further deposit delays due to the implementation. The Accounting unit is also closely working with the Benefits Bureau to resolve any deposit delays due to Benefits dBase system updates.

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2019-009. FINDING (Inadequate Review of External Service Providers)

The Department of Central Management Services (Department) did not obtain or conduct timely independent internal control reviews over all of its external service providers.

We requested the Department provide the population of service providers utilized in order to determine if the Department had reviewed the internal controls over its service providers. In response to our request, the Department provided a listing of service providers utilized during the audit period. However, during testing, we noted four additional service providers that were not on the Department's original list.

Due to these conditions, we were unable to conclude the Department's population records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, and AT-C § 205.35).

Even given the population limitations noted above, we performed testing of the 18 service providers utilized by the Department from the listing provided.

These service providers provide the Department:

- Medical plan coverage and payments
- Claims processing
- Benefits solutions
- Plan administration
- Commuter savings program
- IT hosting
- Software as a Service

During testing of the 18 service providers, we noted the Department had not obtained System and Organization Control (SOC) reports or conducted independent internal control reviews. As such the Department had not assessed the internal controls, or lack thereof, for each of the service providers.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

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2019-009. FINDING (Inadequate Review of External Service Providers) (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, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Strong management controls, due diligence and fiduciary responsibility require adequate supervision of external service providers to provide assurance that personal information is properly recorded and accounted for.

Department management stated that SOC reports are highly technical in nature and were missed due to employee oversight.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the external service provider's internal controls are adequate. (Finding Code No. 2019-009)

RECOMMENDATION

We recommend the Department identify all third-party service providers and determine and document if a review of controls is required. If required, the Department should:

- Obtain SOC reports or (perform independent reviews) of internal controls associated with outsourced systems at least annually.
- Monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Department's operations.
- Either obtain and review SOC reports for subservice organizations, if applicable or perform alternative procedures to satisfy itself that the usage of the subservice organizations would not impact the Department's internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Department, and any compensating controls.

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2019-009. FINDING (Inadequate Review of External Service Providers) (Continued)

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will work closely with the vendors to obtain the required SOC reports. All SOC reports received by the Department are shared with the DoIT Compliance team for review. The Compliance team reviews the reports and validates the service organization security control information is in compliance with the statement on Standards for Attestation Engagements. After the SOC report is reviewed by the Compliance team it is shared with the Benefits Division Manager. After the review, the Division Manager approves by signing the SOC Report Review and the Compliance Attestation Engagement forms. The completed forms are retained by DoIT Compliance and a copy is provided to the Benefits Division Manager.

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2019-010. FINDING (Weaknesses in Cybersecurity Programs and Practices)

The Department of Central Management Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department's mission to support the State by delivering innovative, responsive, and effective services that provide the best value for Illinois State government and the people it serves, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department:

- Had not classified its data to identify and ensure adequate protection of information.
- Had not evaluated and implemented appropriate controls to reduce the risk of attack.
- Had not ensured all staff members completed cybersecurity training upon employment and annually thereafter.
- Had not developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity.

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 to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Furthermore, generally accepted information technology guidance, including the National Institute of Standards and Technology, endorses the development of well-designed and well-managed controls to protect computer systems and data.

Department management indicated they do not have the resources to address these requirements.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2019-010)

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2019-010. FINDING (Weaknesses in Cybersecurity Programs and Practices) (Continued)

RECOMMENDATION

The Department has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the Department:

- Perform a comprehensive risk assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Evaluate identified risks and implement appropriate controls to reduce the risk.
- Ensure all staff members annually complete cybersecurity training as outlined in the Data Security on State Computers Act.
- Establish and communicate the Department's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department in conjunction with DoIT has recently completed a Business Impact Analysis. The Department is currently in process of performing System Contingency Planning that will identify systems and data in all bureaus. During this process data will be identified and properly classified to protect the Department's assets.

DoIT is the technical service provider for all the Department's information systems. On a weekly basis the Department's system are scanned for vulnerabilities. When system vulnerabilities are identified DoIT's CIO, assigned to the Department, reviews the vulnerability and submits a request to have the vulnerability resolved. All vulnerabilities are assessed for risk and criticality to the Department's systems.

The Department's employees are allowed to take the Cybersecurity training in two formats. The first way is using the OneNet online training tool. This will allow anyone that has access to a computer to login and take the training electronically. The second way is that a person without access to a computer can take the training in paper form. The employee would receive this paper copy and submit the copies to the Senior Counsel and Ethics Officer. All employees are registered to take the training in the OneNet tool, but if the training was taking on paper (during this timeframe) it could not be tracked in the OneNet tool.

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2019-011. FINDING (Inadequate Controls over Electronic Surplus Property)

The Department of Central Management Services (Department) continued to have inadequate controls over the surplus of electronic equipment inventory.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.110) requires the Department to regulate the accountability and control of all State-owned tangible personal property and regulate the disposal of all State-owned tangible personal property.

During our review of surplus electronic inventory, we noted:

- The Department did not wipe hard drives of electronic equipment; rather the Department relied upon the Department of Innovation and Technology (DoIT) to complete this task. The Data Security on State Computers Act (20 ILCS 450) requires agencies to implement a policy to mandate all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

Additionally, the State of Illinois, Department of Innovation and Technology, Enterprise Information Security Policy, Media Protection Policy states the agency is to sanitize Information System media prior to disposal or release for reuse in accordance with applicable federal and state laws and regulations and Agency standards and policies. The agency is to use sanitation mechanisms which have the strength and integrity equivalent to the security category or classification of the information. Additionally, the agency is to review, approve, track, document, and verify media sanitization and disposal actions.

- The Department did not provide certification of receipt of equipment from State agencies within the 30 day timeline prior to May 3, 2019 or within 90 days beginning May 3, 2019. As a result, the Department and other agencies were not able to adjust property records within the required timelines.

The Department's Property Control Rules (44 Ill. Admin Code 5010.400) required agencies to adjust their property records within 30 days of acquisition, change or deletion of equipment items prior to May 3, 2019 or 90 days from May 3, 2019 on.

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2019-011. FINDING (Inadequate Controls over Electronic Surplus Property) (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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

In the prior year, Department management indicated thoroughly processing transferable/recyclable electronic equipment in a responsible manner takes longer than the currently required timeline. In the current year, Department management attributed the cause of issues noted to a lack of information technology staff to wipe computers, not being aware Certificates of Sanitation were available upon request from DoIT, difficulties caused by the transition to the Enterprise Resource Planning (ERP) System, human error and turnover.

Failure to ensure and document computer equipment is wiped on a timely basis increases the risk of unauthorized disclosure of confidential and sensitive information. Additionally, the lack of controls over surplus equipment is noncompliance with State law and the Illinois Administrative Code. (Finding Code No. 2019-011, 2017-003, 2015-007, 2013-005)

RECOMMENDATION

We recommend the Department ensure all electronic equipment is wiped as required by the Data Security on State Computers Act. In addition, the Department should ensure they comply with their Property Control Rules.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department is no longer the controlling/owning agency of electronics equipment (EDP). Prior to this change, the Bureau of Communication and Computer Services (BCCS) was a Department bureau, providing EDP disposal processing in accordance with this Act. BCCS became the Department of Information & Technology (DoIT) in 2018, a separate agency from the Department. The Department deferred to DoIT, as the controlling/owning agency of the EDP since its inception, to completely control all EDP during its lifecycle, including the wiping and disposal at the end of its useful life.

The creation of DoIT from the former Department BCCS also resulted in the redeployment of BCCS staff as DoIT staff. The Department no longer had the trained staff to provide EDP disposal as technically required by the Data Security on State Computers Act.

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2019-011. FINDING (Inadequate Controls over Electronic Surplus Property) (Continued)

The Department understands the policies related to the processing of transferable/recyclable electronic equipment. The Department also recognizes these policies are integral to the protection of sensitive data from public dissemination. This finding results from the Data Security on State Computers Act (20 ILCS 450) being incompatible with current EDP surplus ownership and resulting disposal practice. The Act needs to be amended to reflect that DoIT, not the Department, is now the responsible party for surplus EDP.

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2019-012. FINDING (Noncompliance with Statutory Mandates)

The Department of Central Management Services (Department) did not comply with various statutory mandates.

During testing we noted the following:

- The Illinois Pension Code (40 ILCS 5/15-158.3(c)) (Code) states on or before November 15, 2001 and on or before November 15th of each year thereafter, the Department shall prepare a report showing, on a fiscal year by fiscal year basis, the amount by which the State's cost for health insurance coverage under the State Employees Group Insurance Act of 1971 for retirees of the State's universities and their survivors has declined as a result of requiring some of those retirees and survivors to contribute to the cost of their basic health insurance. These year-by-year reductions in cost must be quantified both in dollars and as a level percentage of payroll covered by the System. The report is required to be submitted to the Board of Trustees of the State University Retirement System (SURS), the Pension Laws Commission (until it ceases to exist), the Commission on Government Forecasting and Accountability, the Illinois Board of Higher Education, and the Governor. The Department failed to prepare and submit this report during fiscal years 2018 and 2019. Department management stated SURS, the Pension Laws Commission, the Commission on Government Forecasting and Accountability, the Illinois Board of Higher Education, and the Governor have never requested this report, and recently indicated that they do not feel the information would be useful in any way; therefore, the Department has not prepared or submitted this report.

The failure to prepare the required report could prohibit the affected parties from evaluating the benefits of requiring some retirees of State universities and their survivors to contribute to the cost of their basic health insurance and represents statutory noncompliance.

- The State Prompt Payment Act (30 ILCS 540/11) requires the Department to publish the monthly report information submitted by qualified purchasers containing certain information under paragraph 9, subsection (f) of Section 8 and the information required to be submitted under Section 9 of the State Prompt Payment Act, which includes the State contract number(s) related to each assigned receivable purchased by the qualified purchaser during the month; related to each assigned receivable with respect to which the qualified purchaser has received payment of the base invoice amount from the State during that month; and related to a listing of any payments of assigned penalties received from the State during the month. Neither of the two reports tested contained the State contract number. Department personnel stated the qualified purchasers did not have the information available to them to include the contract number, especially during the budget impasse, and therefore their reports have never included the contract number. The Department stated this issue was discussed when the original legislation was passed, as the qualified purchasers notified the Department at that time that they did not have the information and programming available to include contract numbers in their monthly reports. The Department stated it does, however, verify a contractual arrangement for all new vendors into the VPP program.

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2019-012. FINDING (Noncompliance with Statutory Mandates) (Continued)

Failure to include all required elements represents noncompliance with the State Prompt Payment Act and excludes valuable information for the users of the monthly report.

- The Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/8g) requires the Department to provide a report to the Business Enterprise Program Council (Council) identifying all State agency non-construction solicitations that exceed \$20,000,000 and that have less than a 20% established goal prior to publication. The Department did not submit the required report during the engagement period. Department personnel stated the reports were submitted to the Council in the past, but were stopped in fiscal year 2018 because the Bureau of Strategic Sourcing stopped producing them.

Failure to produce and submit reports could prevent the Council from receiving current Business Enterprise Program information and represents statutory noncompliance.

- The Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/5) appoints the Director as chairman of the Business Enterprise Council for Minorities, Women, and Persons with Disabilities (Council). The Council failed to review the State agencies' and public institutions' compliance plans during the engagement period. It is the Council's authority and responsibility to review compliance plans submitted by each State agency and public institutions of higher education (30 ILCS 575/5(2)(d)). Department management stated the Council's Compliance Subcommittee was unable to have enough members attend the meetings to form a quorum, so review of the compliance plans was delayed.

Failure to review State agencies and public institutions compliance plans represents statutory noncompliance and could result in inadequate or undetected errors in the compliance plans.

- We noted one of four publications tested (25%) did not include the number of copies printed, as required by the Illinois Procurement Code (30 ILCS 500/20-105). The Illinois Procurement Code (30 ILCS 500/20-105) requires all books, pamphlets, documents, and reports published through or by the State of Illinois or any State agency, board, or commission to have printed thereon the number of copies printed and printing order number. Department management stated that the form was designed as an electronic only document to be posted on the internet. The error occurred due to employee oversight because he/she was under the impression that the form would not be printed, so the number of printed forms was not included on the form.

Failure to include information required by the Illinois Procurement Code on all printed materials results in statutory noncompliance and could permit the documents to be reproduced or modified by other sources. (Finding Code No. 2019-012)

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2019-012. FINDING (Noncompliance with Statutory Mandates) (Continued)

RECOMMENDATION

We recommend the Department comply with the respective statutory requirements or seek legislative remedies as appropriate.

DEPARTMENT RESPONSE

The Department accepts the recommendation and will work to address these statutory requirements in the next audit period.

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PRIOR YEAR FINDINGS NOT REPEATED

A. **FINDING** (Weaknesses in Internal Control over Financial Reporting)

During the previous engagement, the Department of Central Management Services' (the Department's) year-end financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) to the Illinois Office of the State Comptroller contained errors in the determination of certain year-end account balances and omission of a required disclosure.

During the current engagement, we noted the Department made substantial improvements in their year-end financial reporting in accordance with GAAP. (Finding Code No. 2017-001, 2016-001, 2015-001)

B. **FINDING** (Untimely Processing of Refunds)

In the previous engagement, the Department did not deposit refunds in compliance with the State Officers and Employees Money Disposition Act (30 ILCS 230/2) (Act).

During the current engagement, the results of our testing demonstrated the Department implemented corrective action related to the timely deposits of refunds. (Finding Code 2017-007)

C. **FINDING** (Noncompliance with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act)

In the previous engagement, the Department did not comply with all elements of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/5) (Act). The Department did not maintain minutes to support the Business Enterprise Council's Compliance Subcommittee meetings during fiscal year 2016. The Secretary of the Council did not perform its statutory responsibility during the engagement period.

During the current engagement, the Department maintained minutes for Business Enterprise Council's Compliance Subcommittee meetings and demonstrated appropriate policies, regulations, and procedures were devised; however, the Department was unable to demonstrate a review of the State agencies' and public institutions' compliance plans. This exception was included in Finding No. 2019-012. (Finding Code 2017-009)

D. **FINDING** (Noncompliance Related to Public Liability Claims)

In the previous engagement, the Department did not obtain proper approval for public liability claim settlements in accordance with the Civil Administrative Code of Illinois (20 ILCS 405/405-105(12) (Code).

During the current engagement, the Department obtained proper approval for public liability claim settlements in accordance with the Code. (Finding Code No. 2017-008)

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MANAGEMENT AUDIT FOLLOW UP

2008 JOINT PROCUREMENTS OF BULK ROCK SALT

The Illinois Office of the Auditor General conducted a management audit of the Department of Central Management Services' (Department) 2008 Joint Procurements of Bulk Rock Salt pursuant to Legislative Audit Commission Resolution Number 138. The audit was released in June 2009 and contained eight recommendations to the Illinois Department of Central Management Services' (Department). As part of the fiscal year 2009 Financial Audit and Compliance Examination, we noted that seven of the eight recommendations were fully implemented and one of the eight recommendations was partially implemented. As part of the follow up performed during the fiscal years 2010 and 2011 Financial Audit and Compliance Examination, the fiscal years 2012 and 2013 Financial Audit and Compliance Examination, the fiscal years 2014 and 2015 Financial Audit and Compliance Examination and the fiscal years 2016 and 2017 Financial Audit and Compliance Examination we noted the remaining recommendation remained partially implemented. As part of the fiscal years 2018 and 2019 Financial Audit and Compliance examination we followed up on the status of the remaining recommendation.

Recommendation #6 – Data Analysis and Cost Savings

The Department should compile appropriate electronic data sufficient to conduct analysis of bids and work with local communities to make the most cost effective decisions in jointly procuring bulk rock salt.

Status – Implemented

During the fiscal year 2015 and 2014 engagement, it was noted that the Department had purchased an e-Procurement system, BidBuy, which they believed would streamline processes, increase efficiencies, decrease expenditures and create transparency in the procurement process. The electronic system is to allow for large, complex procurements such as rock salt.

BidBuy was fully implemented during fiscal year 2018 for all state agencies and can conduct analysis of bids and can work with local communities regarding joint procurements of bulk rock salt.

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MANAGEMENT AUDIT FOLLOW UP

STATE WORKERS' COMPENSATION PROGRAM

In April 2012, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) Workers' Compensation Program as it applies to State employees. As part of the fiscal years 2013 and 2012 financial audit and compliance examination of the Department, follow-up determined that the Department had partially implemented six of the twelve recommendations and had not implemented the remaining six recommendations.

Effective August 3, 2012, Public Act 97-0895 required the Department to procure one or more private vendors to administer the program providing payments for workers' compensation liability with respect to the employees of all State agencies beginning January 1, 2013. The Department executed a five-year \$60,000,000 contract with Tristar Risk Enterprises Mgt. Inc. effective March 1, 2013, as the third-party administrator for the workers' compensation program. The contract also contains an option for an additional five-year renewal. According to Department officials, Tristar assumed the handling of new claims filed by State employees on March 16, 2013. In May 2013, approximately 18,000 files, representing all open workers' compensation claims for State employees, were transferred to Tristar. The Department estimated that these 18,000 files would be scanned and assigned to Tristar adjusters no later than August 15, 2013. Because the workers' compensation program was in a transitional phase as of the end of the previous audit period (June 30, 2013), in many cases it was not possible for auditors to make a determination as to whether the recommendations contained in the management audit were implemented. Therefore, many of the recommendations were determined to be either partially or not implemented.

As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the partially and not implemented recommendations after the enactment of Public Act 97-0895. We determined that the Department had fully implemented five of the twelve recommendations, partially implemented six, and had not implemented one of the remaining six recommendations. As part of the fiscal years 2017 and 2016 financial audit and compliance examination of the Department, we followed up on the status of the seven remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented seven of the twelve recommendations and partially implemented the remaining five recommendations. As part of the fiscal years 2019 and 2018 financial audit and compliance examination of the Department, we followed up on the status of the five remaining recommendations that had not been fully implemented.

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Recommendation #3 – Claims Reporting

The Department of Central Management Services should take steps to:

- *Deny claims that are not filed within 45 days of the accident unless extenuating circumstances are documented;*
- *Ensure that accident dates in its information system are accurate;*
- *Define accident date for repetitive trauma cases in the Department's administrative rules or policies and procedures; and*
- *Ensure that supervisory notification by the employee of an injury is documented in writing.*

Status –Implemented

According to the Department, Tristar is now responsible for all claims handling and data requirements, which includes ensuring the completeness and accuracy of data input into its system.

We requested a download of workers' compensation claims filed in fiscal year 2018 and fiscal year 2019. Our review of these claims showed that it took more than 45 days to report the injury for 166 claims. The days to report for these claims ranged from 46 to 6,284 days. Ninety-six of these claims were not denied. According to the Department, the reason for claims not being denied is due to the claims being repetitive trauma cases. The Department updated the Client Servicing Instructions to define repetitive trauma date as the earlier of the date of report or the date of diagnosis.

In addition, we tested a sample of 60 claims, 30 from both fiscal year 2018 and fiscal year 2019. We noted documentation ensuring that supervisory notification by the employee of an injury is documented in writing and the accuracy of the accident date.

Recommendation #4 – Claims Adjudication

The Department of Central Management Services should:

- *Ensure that all applicable forms are collected prior to any determination of compensability or benefits payments;*
- *Conduct training for all adjusters and agency workers' compensation coordinators regarding filing procedures and required forms;*
- *Require a claims supervisor to review all determinations of compensability;*
- *Obtain access to payroll information required to verify average weekly wage amounts for employees who submit claims;*
- *Require employees to formally request temporary disability benefits prior to receiving benefits; and,*
- *Ensure thorough review of all medical bills prior to payment.*

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Status – Partially Implemented

According to the Department, Tristar is now responsible for ensuring the completeness of data utilized by its adjusters. The Tristar Claims Handling Manual also provides detailed instructions for its adjuster to follow when determining compensability of claims including the forms that are required to be filed. These instructions are further supplemented by the client servicing instructions. The instructions list the five documents required for compensability.

We tested a sample of 60 claims, 30 from both fiscal year 2018 and fiscal year 2019. From our review of each claim on the Tristar system, no determination of compensability was reached prior to the documents being obtained.

Section 22(d) of the contract with Tristar requires training be provided to all workers' compensation coordinators on Tristar's system and forms and that periodic training occur during the life of the contract. According to Department personnel, as new team members were added, individual training was conducted by Tristar and Department staff.

In addition, we tested a sample of 60 claims, 30 from both fiscal year 2018 and fiscal year 2019. We ensured all claims:

- Were reviewed by a claim supervisor to determine compensability.
- Included payroll information required to verify average weekly wage amounts for employees who submitted claims.
- Included a formal request for temporary disability benefits prior to receiving benefits; and,
- Had a thorough review of all medical bills prior to payment.

We noted seven of 60 (12%) instances of claim files that did not contain all of the required documentation.

We noted all claims were reviewed at least once prior to any determinations. According to a Department official, Tristar obtains employee payroll information from the workers' compensation coordinator, and it may require a statutory change for Tristar to have access to the payroll systems located at the agencies. However, for all determinations which resulted in the payment of benefits, we noted the average weekly wage information was obtained through the Department.

According to the Department, a claim requesting any benefits will initially apply for temporary benefits, Temporary Total Disability (TTD), prior to receiving extended benefits. To ensure TTD was applied for prior to any claim receiving extended benefits, we tested four benefits awarded during the engagement period. We noted TTD was applied for and awarded prior to extended benefits being applied for and awarded.

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Tristar is now responsible for the review of medical bills. Per our discussions with management and review of the claim files in the Tristar system, medical bills are reviewed twice: first by the adjuster assigned to the case and secondly by Tristar's professional medical bill review company, Tristar Managed Care. From our testing, for determinations which resulted in medical bills being paid, a review was completed by both the adjuster and Tristar Managed Care.

Recommendation #5 – Determination for Subrogation Eligibility

The Department of Central Management Services should ensure that cases in which subrogation can be pursued are reviewed in a timely manner.

Status – Partially Implemented

The contract between the Department and Tristar requires that Tristar promptly refer claims involving potential subrogation matters to the Department which will, if appropriate, refer the matter to the Attorney General.

The contract requires Tristar to designate a subrogation adjuster to manage and assist with subrogated claims. We confirmed that the Department has a dedicated Subrogation Manager. The contract also requires Tristar to provide the Department with a monthly report which includes at a minimum:

- All new subrogation cases opportunities;
- The number of cases where funds were recovered; and,
- The total amount of funds recovered.

Tristar issues a report each month identifying the new cases with potential subrogation opportunity. Tristar does not have any authority to release or otherwise compromise the State's subrogation rights under the Workers' Compensation Act or Workers' Occupational Diseases Act.

We obtained an example of a monthly subrogation report sent to the Department from Tristar. The report included opportunities for subrogation, but the report did not include the number of cases where funds were recovered, or the total amount of funds recovered.

Recommendation #7 – CMS Adjuster Caseloads

The Department of Central Management Services should track Adjuster caseloads and consider establishing caseload standards for Adjusters.

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Status – Partially Implemented

According to the Department, Tristar is now responsible for the handling of all duties that were previously performed by Department adjusters. According to an amendment to the Tristar contract, Tristar will maintain an average workload of approximately 150 active indemnity claims per adjuster and 250 open active medical only claims. However, CMS has agreed to Tristar's method of case assignments which varies from contract language, because it was deemed more efficient.

Tristar provides a caseload report each month. Certain adjusters are assigned just permanent disability claims, survivor claims, or inactive claims to ensure efficiency. An update has not been completed to conform to the practice utilized by the Department and Tristar. An update to the contract should be completed to clarify the standards the Department and Tristar are practicing. The Department has stated that an update to the contract has not occurred and the present contract is in place until February 2020.

Recommendation #11 – Contract Approval Limits

The Department of Central Management Services should:

- *Clarify settlement contract approval limits in its policies for Risk Management employees; and*
- *Include all compensation in the settlement contract as part of these approval limits.*

Status – Partially Implemented

According to the Department, as a result of the Tristar contract and subsequent staffing changes, the Department has only two employees, on staff with authority to approve settlements. Their job descriptions (CMS-104) documented to limit their settlement authority to \$149,999 or less. Settlements of \$150,000 or more require approval by the Director.

When a settlement includes Permanent Partial Disability (PPD), TTD, and medical reimbursement, the approval limits are only for PPD because the Department indicated there could be inequities in cases considered to be \$150,000 or more. The Department provided the following example: if TTD is denied and three years later the claim is settled, the TTD portion may consume most of the policy limits. For a case where TTD was paid during the three years, the settlement contract limits would be based on PPD only. Additionally, some settlements may allow for TTD payments until the settlement is paid. At the time the settlement is reached it may be unknown when it will be paid. The Department plans to update its policies to clarify settlement approval limits which only apply to PPD.

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MANAGEMENT AUDIT FOLLOW UP

SPACE UTILIZATION PROGRAM

In October 2013, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) administration of the State's space utilization program. The audit contained nine recommendations to improve the efficiency and effectiveness of recording real property in a master inventory database.

In the management audit, the Office of the Auditor General concluded that the Department does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires the Department to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was given to the Office of the Auditor General (OAG) by the Department was incomplete, inaccurate, and had an insufficient level of detail. Also, according to the audit, the Department had made no recent progress towards implementing a comprehensive computerized real property system. Procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified. Finally, the process that the Department was using to dispose of surplus inventory was neither adequate nor timely. The average time for the Department to dispose of real property was 1,656 days with a median of 911 days.

As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, follow up was conducted and determined that the Department had fully implemented five of the nine recommendations and partially implemented the remaining four recommendations. As part of the fiscal years 2017 and 2016 financial audit and compliance examination of the Department, follow up was conducted and determined that the Department had fully implemented seven of the nine recommendations and partially implemented the remaining two recommendations. As part of the fiscal years 2018 and 2019 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented.

Recommendation #8 – Disposal of Surplus Property

The Department of Central Management Services should:

- *Take steps to ensure that it is more timely in completing the process of disposing of surplus property;*
- *Follow the procedures outlined in State statute and administrative rules when disposing of surplus property including timely notification of State agencies;*
- *Maintain proper documentation of the disposal process;*
- *Develop strategies to dispose of surplus properties that have been in surplus for years;*
- *Examine properties noted as surplus on the Annual Real Property Utilization Reports to determine if they should be disposed; and*

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- *Conduct a study of the disposal process to determine what changes need to be made to the process to increase efficiencies. If necessary, CMS should seek legislative changes to improve and streamline the process.*

Status – Partially Implemented

The Department has developed an outlined surplus property dictated by statute on disposing surplus properties. On October 19, 2018, the Department entered into a contract with a vendor to provide the Department with the technical expertise to evaluate, identify, secure and dispose of surplus real property.

Memos were sent out October 31, 2017 and October 31, 2018 notifying all State agencies of the declared surplus real property. Any State agency desiring to take ownership of these properties were requested to submit a written request to the Department, within 60 days, to have control of the surplus real property transferred to that agency. The Department transferred one surplus property due to these efforts. The State Property Control Act (30 ILCS 605/7.1 (d)) requires the Department to receive three appraisals to determine fair value before the properties are disposed to non-State Agencies. The Department received three appraisals for one of the declared properties. The other properties have not received the necessary appraisals, therefore, can not be disposed to non-State Agencies. The Department believes changes to the State Property Control Act are needed to give the State the greatest flexibility and efficiency to convey surplus real property. Under the current law and associated administrative rules, fair market value for surplus property determined to be more than \$5,000 is defined as the average of three appraisals plus the cost of obtaining the appraisals. No surplus real property may be conveyed for less than the fair market value. If no acceptable offers from either local governing bodies or public auction are received, the State may have new appraisals made to re-determine the fair market value of the surplus real property. This process requires that the State maintain control of the surplus property including any associated liabilities and maintenance costs until a bid of at least the determined fair market value is received. Changing the current law by eliminating the need for surplus property to be vacant, reducing the number of appraisals needed to determine fair market value, concurrent notification to state agencies and local governments of surplus property, and the ability to determine if it is in the best interest of the state to establish a different value for the property will allow the State to more efficiently convey surplus real property. The Department filed legislation with the General Assembly to streamline the surplus property process. This legislation is awaiting approval.

The Department believes a more streamlined surplus real property conveyance process would have a positive fiscal impact on the Department and the State. The cost of continuing to maintain surplus property for which the State has no use requires management and a fiscal cost by the Department. This change would allow the Department to dispose of surplus properties in a more efficient and timely manner.

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Additionally, the Department is reviewing information from the Annual Real Property Utilization Report to determine if there are additional surplus properties awaiting its action. There were no surplus properties identified during the engagement period. No State agencies or entities have submitted any request to the Department.

Recommendation #9 – Executive Order 10-10

The Department of Central Management Services should take steps to implement the directives contained in Executive Order 10-10 related to the sale of surplus property.

Status – Partially Implemented

Executive Order 10-10 states the Governor’s Office of Management and Budget (GOMB) and the Department shall review all vacant or unused real estate owned by the State. Following that review, GOMB and the Department shall develop and implement a comprehensive real estate strategy that identifies opportunities to use or repurpose vacant properties more efficiently and designates State properties to be sold at fair market value.

The Department entered into a contract with a vendor on October 19, 2018, to assist with the development of a real estate strategy. As part of this contract the vendor will perform a redevelopment analysis, which entails analyzing whether a specific piece of surplus property is a candidate for redevelopment. Redevelopment may be aimed at increasing the return at sale, redevelopment as part of a public-private partnership, or for reuse by a State agency or other governmental entity. The vendor will also review, validate, and recommend the prioritization of the disposition of the properties, determining which have the greatest opportunity to maximize revenue to the State in the shortest period of time with no or minimal disruption to State services. Once these analyses are completed the Department will work with GOMB to develop a comprehensive real estate strategy.

The Department believes changes to the State Property Control Act are needed to give the State the greatest flexibility and efficiency to convey surplus real property. Under the current law and associated administrative rules, fair market value for surplus property determined to be more than \$5,000 is defined as the average of three appraisals plus the cost of obtaining the appraisals. No surplus real property may be conveyed for less than the fair market value. If no acceptable offers from either local governing bodies or public auction are received, the State may have new appraisals made to re-determine the fair market value of the surplus real property. This process requires that the State maintain control of the surplus property including any associated liabilities and maintenance costs until a bid of at least the determined fair market value is received. Changing the current law by eliminating the need for surplus property to be vacant, reducing the number of appraisals needed to determine fair market value, concurrent notification to state agencies and local governments of surplus property, and the ability to determine if it is in the best interest of the state to establish a different value for the property will allow the State to more efficiently convey surplus real property. The Department filed legislation with the General Assembly to streamline the surplus property process. This legislation is awaiting approval.

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The Department believes a more streamlined surplus real property conveyance process would have a positive fiscal impact on the Department and the State. The cost of continuing to maintain surplus property for which the State has no use requires management and a fiscal cost by the Department. This change would allow the Department to dispose of surplus properties in a more efficient and timely manner.

We also noted the Department has not reviewed all vacant or unused property, as this is an ongoing process.

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MANAGEMENT AUDIT FOLLOW UP

MANAGEMENT POSITIONS IN THE STATE EXECUTIVE BRANCH

In April 2013, the Office of the Auditor General released a management audit of Management Positions in the State Executive Branch. The audit contained five recommendations to the Department of Central Management Services (Department). As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the five recommendations and whether or not they were implemented. We determined one recommendation was implemented, three were partially implemented, and one recommendation was not implemented. As part of the fiscal years 2017 and 2016 financial audit and compliance examination of the Department, we followed up on the status of the four recommendations not implemented to determine whether or not they were implemented. We determined the four remaining recommendations were partially implemented. As part of the fiscal years 2018 and 2019 financial audit and compliance examination of the Department, we followed up on the status of the four remaining recommendations that had not been fully implemented.

Recommendation #1 – 4D3 Exemptions

The Department of Central Management Service and the Civil Service Commission should assure 4D3 exemptions are approved appropriately in compliance with the Personnel Code (20 ILCS 415/4d(3)).

Status – Implemented

During the engagement period, the Department, with the Office of Executive Inspector General (OEIG) Hiring and Employment Monitoring Division (HEM) and the Michael L. Shakman, Paul M. Laurie v. Cook County Assessor Court-appointed Special Master, reviewed every position description and incumbent/supervisor questionnaire for every existing 4d(3) position and every position proposed to go 4d(3) to see whether the duties and authority of the position were sufficient to meet the federal and state standards for being an at-will employee.

In the Michael L. Shakman, Paul M. Laurie v. Cook County Assessor January 2019 order, a process by which the Department makes the initial determination of exempt status, which, if approved by the Governor's Office is forwarded for review by OEIG HEM. The plaintiffs also have an opportunity to object to inclusion on the Shakman Exempt List. If all the parties agree a position should be exempt, the Department forwards the position to the Civil Service Commission for consideration of the 4d(3) exemption request. Based upon review of documentation it appears the Department has developed a process to ensure 4d(3) exemptions are approved appropriately in compliance with the Personnel Code.

Recommendation #2 – Rutan Exemptions

The Department of Central Management Services should assure that Rutan exemptions are only used for positions responsible for implementing policies.

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Status – Implemented

During the 2017 engagement, the Department was working on the definitions of “Rutan Exempt” and “principal policy making authority.” Per the Department, a draft of a Comprehensive Employment Plan was filed on November 25, 2019. It contains the following definition of Exempt Position: “A completely at-will position that (1) is not covered by a collective bargaining agreement or by Personnel Code protections and (2) is also on the Exempt List because the position involves policymaking to an extent that or is confidential in such a way that political affiliation is an appropriate consideration for the effective performance of the job.”

The State compiles a list of all Rutan-exempt positions for review by the Special Master and Office of the Inspector General Hiring and Employment Monitoring Division (OEIG HEM). This exempt list is updated monthly and is publicly available on the Department’s website.

During the prior examination, the Department agreed to discontinue applying the Rutan scales in a position-by-position review as it had done in the past. Instead the Department would work with the Governor’s Office, Special Master, and OEIG HEM offices to identify positions that could be exempt. These reviews resulted in the original exempt listing, filed in January 2019 and updated monthly.

In working to compile the list of Rutan exempt positions in the State, the Department conducted an initial review based on the position description. The Department also coordinated a process by which agency staff verified the accuracy of the position descriptions. The information obtained in this review was stored in initial and updated spreadsheets, individualized agency sheets, spreadsheets for discussion on various meeting dates, Special Master sheets, and final agency sheets.

The Department has implemented procedures to assure Rutan exemptions are only used for positions responsible for implementing policies.

Recommendation #3 – Personnel Classification System

The Department of Central Management Services should review and revise the State’s classification plan to address the issues identified in this management audit.

Status – Partially Implemented

During the examination period, the Department, Shakman Special Master, and Office of the Executive Inspector General’s Hiring and Employment Monitoring Division, worked with all State agencies to evaluate each existing exempt position and other management positions that could or should be exempt due to the nature of responsibility. The defined Exempt List was entered by the Michael L. Shakman, Paul M. Laurie v. Cook County Court. The exempt position review process sought to provide consistency within and across agencies for positions partially exempt under 20 ILCS 415/4d(3) and that have Rutan exemptions.

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Through Public Act 97-1172, the State has removed certain positions, including managerial and supervisory, from the union, allowing for more defined responsibilities with respect to abilities to perform evaluations, discipline, and grievances.

During our review of the responsibilities of 40 job code titles as defined by the Department's job code specifications five (13%) positions tested had unclear responsibilities for the supervision of employees, including responsibility for important functions such as evaluations, discipline, and grievances. Additionally, one (3%) job code had no job code specifications.

The Department continues to review the classification plan to align job descriptions and functional titles as it is an ongoing process.

Recommendation #5 – Confidential Employees in Unions

The identified State agencies should assure all confidential assistants are not included in a collective bargaining unit or their confidential responsibilities as defined by the Public Labor Relations Act (5 ILCS 315/3) are transferred to non-union employees.

Status – Partially Implemented

The Department has worked with the Shakman Special Master and the Office of the Executive Inspector General's Hiring and Employment Monitoring Division to review collective bargaining unit employees that are considered confidential assistants.

In consultation with Illinois Labor Relations Board the Department changed the coding for most confidential assistants in a collective bargaining unit identified. There are still two confidential assistants part of a collective bargaining unit. The Illinois Labor Relations Board has agreed these positions should not be part of a collective bargaining unit however, the coding has not been changed due to on going court proceedings. The position coding will not be changed until the court has made a ruling.

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MANAGEMENT AUDIT FOLLOW UP

STATE'S LEASING DECISION

In May 2018, the Office of the Auditor General released a management audit of the State's Leasing Decision. The audit contained six recommendations to the Department of Central Management Services (Department). As part of the fiscal years 2018 and 2019 financial audit and compliance examination of the Department, we followed up on the status of the six recommendations.

Recommendation #1 – Awarding Leases to Qualified Respondents

The Department of Central Management Services and the Chief Procurement Office for General Services should put procedures in place to ensure that leases are awarded only to qualified respondents who submitted bids meeting the original lease specifications.

Status – Partially Implemented

During the examination period, the Department updated the Request for Information procurement documents to include additional required information critical to making leasing decision. In addition, the Department developed Standard Operating Procedures for the Bureau of Property Management staff to assist in making leasing decisions and ensuring all awarded bidders are qualified.

The Department is currently working on updating the leasing documentation to adequately convey the flexible nature of leasing procurement; however, these documents have not yet been updated to address the concerns raised in the Management Audit.

Recommendation #3 – Cost-Benefit Analysis

The Department of Central Management Services should update its Capital Development Board Certification Form or its Lease Document Checklist to ensure that an analysis of the cost-benefits of purchasing or constructing new space is performed and documented.

Status – Implemented

During the examination period the Department updated the Capital Development Board Certification Form to include an analysis of the cost-benefits of purchasing or constructing new space to formalize and document the analysis.

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For the Two Years Ended June 30, 2019

Recommendation #5 – Leasing Process

The Department of Central Management Services should update its leasing procedures to ensure requirements in the Procurement Code and its leasing procedures are followed to ensure adequate competition. Specifically, the Department should:

- *Update its space request form to include justification for the desired geographic location to ensure the location is not unduly restrictive;*
- *Add outreach to the Lease Document Checklist to ensure procedures are followed; and*
- *Update its leasing procedures for publishing notices in newspapers so that it aligns with the requirements in the Illinois Procurement Code.*

Status – Implemented

The Department has updated its Space Request Approval Form to include a space for additional information specifically related to the geographical boundaries outlined and requiring approval by requesting agencies Chief Fiscal Officer. In addition, the Department adopted Standard Operating Procedures, which include steps for notifying the incumbent lessor and real estate brokers in the area needed as well as publishing ads in the local newspaper nearest the location requested as required by the Procurement Code. The Department has also added this outreach requirement to the Lease Documentation Checklist to be documented in the lease file. The Department has encouraged all current lessors to register in the new e-procurement system so they can automatically receive notifications of upcoming procurement opportunities.

Recommendation #6 – Confidential Information

The Department of Central Management Services should put procedures in place to ensure that all employees involved in procurements understand confidentiality and to ensure that confidential information is not shared with bidders during the procurement process.

Status – Implemented

The Department conducted numerous trainings during the engagement period in which confidential information related to bids and lease terms were explained and emphasis was placed on the importance of not discussing these details with potential lessors until after the lease award is published in the procurement system. The Standard Operating Procedures now require all contact with potential lessors regarding negotiations during the procurement process is to be documented in the lease file.

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Recommendation #7 – Information provided to the Procurement Policy Board

The Department of Central Management Services should examine its process of creating and submitting information to the Procurement Policy Board and implement any needed changes to its process as a result of its review. The process should ensure that the information provided to the Board is accurate and complete and that the Board has sufficient information to perform an adequate review of real property leases.

Status – Implemented

The Department has notified the Procurement Policy Board’s Executive Director of the updated leasing documents and the revised cost benefit information. The cost benefit analysis and a side-by-side comparison showing the current lease rates and proposed lease rates are now included as part of the white paper submitted to the Procurement Policy Board. This information along with the final lease contract is prepared by the leasing manager and approved by the fiscal manager and legal department before being submitted to the Procurement Policy Board to provide a complete and accurate picture of all relevant information.

Recommendation #10 – CMS Leasing Procedures

The Department of Central Management Services should ensure that the following leasing procedures are followed for all leasing procurements:

- *An Americans with Disabilities Act (ADA) checklist is completed;*
- *A Property Management Business Case (PMBC) is completed; and*
- *Rejection letters are sent to responsive proposers not selected for award.*

Status – Partially Implemented

The Department has reinforced the need for ADA and PMBC checklists to be completed for all leasing procurements. The Department currently conducts staff meetings every 6-8 weeks that touch on a variety of topics including the timeliness of completing these items. Additionally, the Department has drafted a rejection letter to be sent to all responsive proposers not selected for award. These items were added to the Standard Operating Procedures and Lease Document Checklist. Since there were no new leasing procurements since the release of the management audit, auditors were unable to test the new policies were followed.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

	Appropriations (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1, 2019 to October 31, 2019	Total Expenditures 16 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
Public Act 100-0586 and 101-0007					
Appropriated Funds					
General Revenue Fund - 0001	\$ 2,101,237,300	\$ 2,057,752,976	\$ 43,291,187	\$ 2,101,044,163	\$ 193,137
Road Fund - 0011	117,960,000	117,960,000	-	117,960,000	-
State Garage Revolving Fund - 0303	71,899,000	45,929,882	11,338,927	57,268,809	14,630,191
Facilities Management Revolving Fund - 0314	286,602,300	159,170,180	24,216,208	183,386,388	103,215,912
Professional Services Fund - 0317	47,000,000	33,593,070	3,695,716	37,288,786	9,711,214
Workers' Compensation Revolving Fund - 0332	108,500,000	76,489,147	7,490,172	83,979,319	24,520,681
Group Insurance Premium Fund - 0457	105,452,100	80,629,623	7,543,213	88,172,836	17,279,264
State Employees' Deferred Compensation Plan Fund - 0755	1,600,000	947,920	62,565	1,010,485	589,515
State Surplus Property Revolving Fund - 0903	2,500,000	1,547,955	499,660	2,047,615	452,385
Health Insurance Reserve Fund- 0907	4,000,000,000	2,928,467,975	223,411,087	3,151,879,062	848,120,938
Total Appropriated Funds	\$ 6,842,750,700	5,502,488,728	321,548,735	5,824,037,463	\$ 1,018,713,237
Non-Appropriated Funds					
Local Government Health Insurance Reserve Fund - 0193		\$ 42,572,113	\$ 1,943,231	\$ 44,515,344	
Flexible Spending Account Fund - 0202		26,962,425	3,079,610	30,042,035	
Teacher Health Insurance Security Fund - 0203		402,012,262	18,719,287	420,731,549	
Community College Health Insurance Security Fund - 0577		40,380,967	13,610,293	53,991,260	
State Employees' Deferred Compensation Plan Fund - 0755		181,254,200	446,894	181,701,094	
Total Non-Appropriated Funds		\$ 693,181,967	\$ 37,799,315	\$ 730,981,282	
Grand Total All Funds		\$ 6,195,670,695	\$ 359,348,050	\$ 6,555,018,745	

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the Comptroller's records as of October 31, 2019, and have been reconciled to Department's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018

	Appropriations (Net of Transfers)	Expenditures Through June 30, 2018	Lapse Period		Total Expenditures 16 Months Ended October 31, 2018	Balances Lapsed October 31, 2018
			Expenditures July 1, 2018 to October 31, 2018	Expenditures October 31, 2018		
Public Act 100-0021 and 100-0586						
Appropriated Funds						
General Revenue Fund - 0001	\$ 1,961,325,340	\$ 1,894,570,229	\$ 65,605,671	\$ 1,960,175,900	\$ 1,149,440	
Road Fund - 0011	124,992,000	124,992,000	-	124,992,000	-	
Capital Development Fund - 0141	2,320,000	2,320,000	-	2,320,000	-	
State Garage Revolving Fund - 0303	71,908,200	37,926,254	14,354,266	52,280,520	19,627,680	
Facilities Management Revolving Fund - 0314	256,738,600	130,359,454	57,329,869	187,689,323	69,049,277	
Professional Services Fund - 0317	45,000,000	28,472,088	2,983,540	31,455,628	13,544,372	
Workers' Compensation Revolving Fund - 0332	140,891,000	100,793,583	16,079,493	116,873,076	24,017,924	
Group Insurance Premium Fund - 0457	105,452,100	75,654,115	14,952,060	90,606,175	14,845,925	
State Employees' Deferred Compensation Plan Fund - 0755	1,600,000	1,102,242	61,905	1,164,147	435,853	
State Surplus Property Revolving Fund - 0903	4,758,700	1,228,857	150,691	1,379,548	3,379,152	
Health Insurance Reserve Fund- 0907	6,000,000,000	4,204,065,949	1,645,379,952	5,849,445,901	150,554,099	
Total - Appropriated Funds	\$ 8,714,985,940	6,601,484,771	1,816,897,447	8,418,382,218	\$ 296,603,722	
Non-Appropriated Funds						
Local Government Health Insurance Reserve Fund - 0193		\$ 47,782,356	\$ 4,933,197	\$ 52,715,553		
Flexible Spending Account Fund - 0202		29,483,031	3,325,858	32,808,889		
Teacher Health Insurance Security Fund - 0203		362,588,103	247,254,172	609,842,275		
Community College Health Insurance Security Fund - 0577		24,752,154	55,324,622	80,076,776		
State Employees' Deferred Compensation Plan Fund - 0755		165,822,035	632,151	166,454,186		
Total Non-Appropriated Funds		\$ 630,427,679	\$ 311,470,000	\$ 941,897,679		
Grand Total All Funds		\$ 7,231,912,450	\$ 2,128,367,447	\$ 9,360,279,897		

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the Comptroller's records as of October 31, 2018 and have been reconciled to the Department's records.

Note 2: The expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: Public Act 100-0021 Article 998 authorized the Department to pay fiscal year 2016 and fiscal year 2017 costs using its fiscal year 2018 appropriations. The Analysis of Operations section of this report at page 82 includes information from Department management about the number of invoices and the total dollar amount of invoices from fiscal year 2016 and fiscal year 2017 held by the Department which were submitted against either its fiscal year 2017 or fiscal year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES - BY FUND**

For the Fiscal Years Ended June 30, 2019, 2018 and 2017

	Fiscal Year		
	2019	2018	2017
			P.A. 099-0524
			P.A. 100-0021
	P.A. 100-0586	P.A. 100-0021	Court-Ordered
	P.A. 101-0007	P.A. 100-0586	Expenditures
APPROPRIATED FUNDS			
Appropriations (net of transfers)	\$ 6,842,750,700	\$ 8,714,985,940	\$ 7,458,907,300
Expenditures			
General Revenue Fund - 0001	2,101,044,163	1,960,175,900	182,385,544
Road Fund - 0011	117,960,000	124,992,000	124,464,000
Capital Development Fund - 0141	-	2,320,000	-
State Garage Revolving Fund - 0303	57,268,809	52,280,520	60,221,253
Facilities Management Revolving Fund - 0314	183,386,388	187,689,323	168,088,221
Professional Services Fund - 0317	37,288,786	31,455,628	17,114,519
Workers' Compensation Revolving Fund - 0332	83,979,319	116,873,076	99,841,155
Group Insurance Premium Fund - 0457	88,172,836	90,606,175	90,157,893
Budget Stabilization Fund - 0686	-	-	42,750,000
State Employees' Deferred Compensation Plan Fund - 0755	1,010,485	1,164,147	1,116,229
State Surplus Property Revolving Fund - 0903	2,047,615	1,379,548	2,902,923
Health Insurance Reserve Fund- 0907	3,151,879,062	5,849,445,901	3,321,401,035
Total expenditures - appropriated funds	<u>\$ 5,824,037,463</u>	<u>\$ 8,418,382,218</u>	<u>\$ 4,110,442,772</u>
Total lapsed balances	<u>\$ 1,018,713,237</u>	<u>\$ 296,603,722</u>	<u>\$ 3,348,464,528</u>
NON-APPROPRIATED FUNDS			
Expenditures			
Local Government Health Insurance Reserve Fund - 0193	\$ 44,515,344	\$ 52,715,553	\$ 39,867,790
Flexible Spending Account Fund - 0202	30,042,035	32,808,889	29,453,516
Teacher Health Insurance Security Fund - 0203	420,731,549	609,842,275	362,683,880
Community College Health Insurance Security Fund - 0577	53,991,260	80,076,776	20,683,675
State Employees' Deferred Compensation Plan Fund - 0755	181,701,094	166,454,186	169,969,030
Total expenditures - non-appropriated funds	<u>\$ 730,981,282</u>	<u>\$ 941,897,679</u>	<u>\$ 622,657,891</u>
Total expenditures all funds	<u>\$ 6,555,018,745</u>	<u>\$ 9,360,279,897</u>	<u>\$ 4,733,100,663</u>
STATE OFFICERS' PAYROLL			
Appropriations (through the Comptroller's Office)	\$ 384,500	\$ 384,500	\$ 384,500
Expenditures:			
For the Director	145,477	142,566	142,339
For the Assistant Directors	156,119	230,038	247,695
Total expenditures	<u>\$ 301,596</u>	<u>\$ 372,604</u>	<u>\$ 390,034</u>
Total lapsed balances	<u>\$ 82,904</u>	<u>\$ 11,896</u>	<u>\$ (5,534)</u>

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES - BY FUND**
For the Fiscal Years Ended June 30, 2019, 2018 and 2017

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of October 31, 2019, October 31, 2018 and September 30, 2017, and have been reconciled to the Department's records.

Note 2: The expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures.

Note 4: During fiscal year 2017, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, since the Department never received enacted personal services appropriations for Fund 0001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during fiscal year 2017.

Note 5: Public Act 100-0021 Article 998 authorized the Department to pay fiscal year 2016 and fiscal year 2017 costs using its fiscal year 2018 appropriations. The Analysis of Operations section of this report at page 82 includes information from Department management about the number of invoices and the total dollar amount of invoices from fiscal year 2016 and fiscal year 2017 held by the Department which were submitted against either its fiscal year 2017 or fiscal year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS) - LOCALLY-HELD FUNDS
For the Two Years Ended June 30, 2019 and 2018

Fund Number*	Fund Name	Balance		Receipts	Disbursements	Balance	
		July 1, 2017	June 30, 2017			June 30, 2018	June 30, 2018
1328 (0314)	** DPA COP Debt Service Fund	\$ 1,693,522	\$	353,392	\$ 2,046,914	\$	-
1330 (0314)	** EPA COP Debt Service Fund	2,904,689		2,961,108	5,865,797		-
1386 (0193)	Local Government Health Insurance Reserve Fund	2,020,960		26,679,220	25,676,011		3,024,169
1387 (0203)	Teacher Health Insurance Security Fund	10,834,873		173,227,712	163,066,386		20,996,199
1388 (0577)	Community College Health Insurance Security Fund	1,114,644		9,769,475	9,468,696		1,415,423
1389 (0907)	Health Insurance Reserve Fund	64,816,390		2,525,811,696	2,444,388,197		146,239,889
1393 (0755)	State Employees Deferred Compensation Plan Fund	4,291,741,873		535,445,029	292,055,805		4,535,131,097
1412 (0332)	Workers' Compensation Revolving Fund	16,527,567		101,302,269	102,714,365		15,115,471
2202 (0202)	Flexible Spending Account Fund	4,612,599		27,249,024	26,952,972		4,908,651
	Total Locally Held Funds	\$4,396,267,117		\$3,402,798,925	\$3,072,235,143		\$4,726,830,899

Fund Number	Fund Name	Balance		Receipts	Disbursements	Balance	
		July 1, 2018	June 30, 2018			June 30, 2019	June 30, 2019
1386 (0193)	Local Government Health Insurance Reserve Fund	\$ 3,024,169	\$	21,300,832	\$ 23,002,207	\$	1,322,794
1387 (0203)	Teacher Health Insurance Security Fund	20,996,199		143,856,149	153,816,242		11,036,106
1388 (0577)	Community College Health Insurance Security Fund	1,415,423		7,404,430	7,837,365		982,488
1389 (0907)	Health Insurance Reserve Fund	146,239,889		1,108,620,581	1,176,077,671		78,782,799
1393 (0755)	State Employees Deferred Compensation Plan Fund	4,535,131,097		436,929,597	323,338,698		4,648,721,996
1412 (0332)	Workers' Compensation Revolving Fund	15,115,471		85,873,470	93,152,692		7,836,249
2202 (0202)	Flexible Spending Account Fund	4,908,651		25,264,602	28,210,034		1,963,219
	Total Locally Held Funds	\$4,726,830,899		\$1,829,249,661	\$1,805,434,909		\$4,750,645,651

* Fund numbers in () represents the treasury held fund, which corresponds with the locally held fund number. The locally held fund is included in the corresponding treasury held funds' year-end financial reporting.

** Fund numbers 1328 and 1330 were closed during fiscal year 2018.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Balance June 30, 2018	Additions	Deletions	Net Transfers	Balance June 30, 2019
<u>Department-wide Capital Assets</u>					
Land and land improvements	\$ 529	\$ -	\$ -	\$ 46	\$ 575
Building and building improvements	213,467	-	-	4,284	217,751
Equipment	3,451	346	(834)	1,413	4,376
Total Department-wide Capital Assets	<u>217,447</u>	<u>346</u>	<u>(834)</u>	<u>5,743</u>	<u>222,702</u>
<u>State Garage Revolving Fund - 0303</u>					
Equipment	<u>38,561</u>	<u>17,955</u>	<u>(98)</u>	<u>167</u>	<u>56,585</u>
<u>Facilities Management Revolving Fund - 0314</u>					
Land and land improvements	38,174	-	-	-	38,174
Site improvements	3,761	-	-	-	3,761
Buildings and building improvements	426,978	76	(630)	53,620	480,044
Leases: Buildings and building improvements	48,740	-	-	(48,740)	-
Equipment	1,896	346	(92)	6	2,156
Works of Art	974	-	-	-	974
Total Facilities Management Revolving Fund - 0314	<u>520,523</u>	<u>422</u>	<u>(722)</u>	<u>4,886</u>	<u>525,109</u>
<u>Professional Services Fund - 0317</u>					
Equipment	<u>953</u>	<u>65</u>	<u>(16)</u>	<u>(914)</u>	<u>88</u>
<u>State Employees' Deferred Compensation Plan - 0755</u>					
Equipment	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
<u>Health Insurance Reserve Fund - 0907</u>					
Equipment	<u>43</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>37</u>
TOTAL PROPERTY AND EQUIPMENT, AT COST	<u><u>\$ 777,530</u></u>	<u><u>\$ 18,788</u></u>	<u><u>\$ (1,676)</u></u>	<u><u>\$ 9,882</u></u>	<u><u>\$ 804,524</u></u>

(1) This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

(2) This schedule was prepared on the cash basis of accounting and, therefore, does not include lapse period purchases nor in-transit items.

(3) The information in this schedule has been reconciled to the property reports submitted to the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Balance June 30, 2017	Additions	Deletions	Net Transfers	Balance June 30, 2018
<u>Department-wide Capital Assets</u>					
Land and land improvements	\$ 529	\$ -	\$ -	\$ -	\$ 529
Building and building improvements	213,467	-	-	-	213,467
Equipment	3,031	1,065	(194)	(451)	3,451
Total Department-wide Capital Assets	<u>217,027</u>	<u>1,065</u>	<u>(194)</u>	<u>(451)</u>	<u>217,447</u>
<u>State Garage Revolving Fund - 0303</u>					
Equipment	31,939	6,992	(998)	628	38,561
<u>Statistical Services Revolving Fund - 0304</u>					
Equipment	70,468	-	-	(70,468)	-
<u>Communications Revolving Fund - 0312</u>					
Equipment	86,096	-	-	(86,096)	-
Intangibles	3,881	-	-	(3,881)	-
Leases: Buildings and Building Improvements	1,090	-	-	(1,090)	-
Total Communications Revolving Fund - 0312	<u>91,067</u>	<u>-</u>	<u>-</u>	<u>(91,067)</u>	<u>-</u>
<u>Facilities Management Revolving Fund - 0314</u>					
Land and land improvements	38,174	-	-	-	38,174
Site improvements	3,761	-	-	-	3,761
Buildings and building improvements	424,762	798	-	1,418	426,978
Leases: Buildings and building improvements	48,740	-	-	-	48,740
Equipment (3)	1,768	186	(23)	(35)	1,896
Works of Art	974	-	-	-	974
Total Facilities Management Revolving Fund - 0314	<u>518,179</u>	<u>984</u>	<u>(23)</u>	<u>1,383</u>	<u>520,523</u>
<u>Professional Services Fund - 0317</u>					
Equipment	25	33	(4)	899	953
<u>State Employees' Deferred Compensation Plan - 0755</u>					
Equipment	3	-	-	-	3
<u>Health Insurance Reserve Fund - 0907</u>					
Equipment	43	-	-	-	43
TOTAL PROPERTY AND EQUIPMENT, AT COST	<u><u>\$ 928,751</u></u>	<u><u>\$ 9,074</u></u>	<u><u>\$ (1,219)</u></u>	<u><u>\$ (159,076)</u></u>	<u><u>\$ 777,530</u></u>

(1) This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

(2) Executive Order 2016-01 created the Department of Innovation and Technology (DoIT), stating that the Department's Bureau of Communications and Computer Services (BCCS) shall be consolidated into DoIT as of July 1, 2016. Per a memorandum between DoIT and the Department dated June 29, 2017, the transfer of assets related to BCCS to DoIT should have occurred at the beginning of fiscal year 2017, or July 1, 2016. However, due to administrative and technical staffing limitations, this was unable to be completed. The Department continued to support DoIT through fiscal year 2017 and into fiscal year 2018. As a result, funds 304 and 312 continued to be listed under the Department, agency 416, for fiscal year 2017. Due to this situation, this schedule did not reconcile to the Department's financial statements as of and for June 30, 2017.

(3) Includes \$17,447 added to the equipment balance in the deletions column to correct a prior quarter error.

(4) This schedule was prepared on the cash basis of accounting and, therefore, does not include lapse period purchases nor in-transit items.

(5) The information in this schedule has been reconciled to the property reports submitted to the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER**
For the Years Ended June 30, 2019, 2018, and 2017

	Fiscal Year		
	2019	2018	2017
<u>General Revenue Fund - 0001</u>			
Miscellaneous	\$ 1,030	\$ 379	\$ 668
Other Illinois State agencies	53	-	-
Repay State-Upward Mobility	30,294	49,771	71,860
Prior year refund	18,331	383	1,535
Total cash receipts per Department	49,708	50,533	74,063
Less - In transit at end of year	(100)	(97)	(583)
Plus - In transit at beginning of year	97	583	531
Total cash receipts per State Comptroller's records	<u>\$ 49,705</u>	<u>\$ 51,019</u>	<u>\$ 74,011</u>
<u>Road Fund - 0011</u>			
State Property Sales	\$ 584,383	\$ -	\$ -
Total cash receipts per Department	584,383	-	-
Total cash receipts per State Comptroller's records	<u>\$ 584,383</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Local Government Health Insurance Reserve Fund - 0193</u>			
Insurance premiums	\$ 44,783,285	\$ 45,692,451	\$ 44,178,094
Reimbursement/third party	53,580	1,439,401	1,154,944
Federal Medicare Part D	44,191	36,090	28,137
Formulary Rebates	1,463,881	-	-
Total cash receipts per Department	46,344,937	47,167,942	45,361,175
Less - In transit at end of year	(774,092)	(1,460,671)	(857,631)
Plus - In transit at beginning of year	1,460,671	857,631	471,200
Total cash receipts per State Comptroller's records	<u>\$ 47,031,516</u>	<u>\$ 46,564,902</u>	<u>\$ 44,974,744</u>
<u>Flexible Spending Account Fund - 0202</u>			
Payroll deductions	\$ 34,322,433	\$ 32,589,993	\$ 31,339,148
Total cash receipts per Department	34,322,433	32,589,993	31,339,148
Less - In transit at end of year	(309,530)	(212,052)	(2,198)
Plus - In transit at beginning of year	212,052	2,198	-
Total cash receipts per State Comptroller's records	<u>\$ 34,224,955</u>	<u>\$ 32,380,139</u>	<u>\$ 31,336,950</u>
<u>Teachers Health Insurance Security Fund - 0203</u>			
Insurance premiums	\$ 373,249,264	\$ 402,335,008	\$ 338,482,649
Reimbursement/third party	202,491	10,868,581	9,400,628
Federal Medicare Part D	1,198,533	1,529,057	810,202
Formulary Rebates	11,937,934	-	-
General Revenue Fund transfer	130,591,249	-	-
Total cash receipts per Department	517,179,471	414,732,646	348,693,479
Less - In transit at end of year	(13,679)	(3,096,266)	(1,898,174)
Less - due from other funds beginning of year	(178,161,130)	(73,135,334)	-
Plus - In transit at beginning of year	3,096,266	1,898,174	-
Plus - due from other funds end of year	162,393,345	178,161,130	73,135,334
Total cash receipts per State Comptroller's records	<u>\$ 504,494,273</u>	<u>\$ 518,560,350</u>	<u>\$ 419,930,639</u>

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER**
For the Years Ended June 30, 2019, 2018, and 2017

	Fiscal Year		
	2019	2018	2017
<u>State Garage Revolving Fund - 0303</u>			
Local Illinois governmental units	\$ 64,374	\$ 58,706	\$ 60,331
Miscellaneous	127,334	-	-
Other Illinois State agencies	51,976,157	51,153,471	68,713,196
Private organization or individual	228,818	416,604	399,786
Prior year refund	126	8,306	4,861
Total cash receipts per Department	<u>52,396,809</u>	<u>51,637,087</u>	<u>69,178,174</u>
Less - In transit at end of year	(19,787)	(10,692)	-
Less - Due from other funds beginning of year	(13,481,734)	(5,782,147)	(244)
Plus - In transit at beginning of year	10,692	-	3,948
Plus - Due from other funds end of year	18,575,850	13,481,734	5,782,147
Plus - Prior year refunds/ warrant voids	2,623	793	15,809
Total cash receipts per State Comptroller's records	<u>\$ 57,484,453</u>	<u>\$ 59,326,775</u>	<u>\$ 74,979,834</u>
<u>Communications Revolving Fund - 0312 (1)</u>			
Other Illinois State agencies	\$ -	\$ -	\$ 1,244
Total cash receipts per Department	<u>-</u>	<u>-</u>	<u>1,244</u>
Total cash receipts per State Comptroller's records	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,244</u>
<u>Facilities Management Revolving Fund - 0314</u>			
Rental Income	\$ 3,373	\$ -	\$ -
Local Illinois governmental units	350	3,739	5,000
Miscellaneous	1,986,470	5,763	-
Other Illinois State agencies	184,191,439	167,978,522	188,966,796
Private organization or individual	1,288,863	1,572,926	1,198,300
Federal government	-	125	125
Prior year refund	73,824	320,231	59,514
Total cash receipts per Department	<u>187,544,319</u>	<u>169,881,306</u>	<u>190,229,735</u>
Less - In transit at end of year	(53,476)	(160,869)	(3,388)
Less - Due from other funds beginning of year	(63,644,859)	(37,975,236)	(2,457,455)
Plus - In transit at beginning of year	160,869	3,388	139,653
Plus - Due from other funds end of year	73,637,600	63,644,859	37,975,236
Plus - Prior year refunds/ warrant voids	15,973	11,072	30,260
Total cash receipts per State Comptroller's records	<u>\$ 197,660,426</u>	<u>\$ 195,404,520</u>	<u>\$ 225,914,041</u>
<u>Professional Services Fund - 0317</u>			
Subpoena /Witness Fees	\$ 46	\$ -	\$ -
Prior year refund	5,263	2,978	1,502
Total cash receipts per Department	<u>5,309</u>	<u>2,978</u>	<u>1,502</u>
Total cash receipts per State Comptroller's records	<u>\$ 5,309</u>	<u>\$ 2,978</u>	<u>\$ 1,502</u>
<u>State Police Vehicle Maintenance Fund - 0328</u>			
State property sales	\$ 289,054	\$ 171,536	\$ 112,618
Other revenues	11,779	-	-
Total cash receipts per Department	<u>300,833</u>	<u>171,536</u>	<u>112,618</u>
Total cash receipts per State Comptroller's records	<u>\$ 300,833</u>	<u>\$ 171,536</u>	<u>\$ 112,618</u>

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER**
For the Years Ended June 30, 2019, 2018, and 2017

	Fiscal Year		
	2019	2018	2017
<u>Workers' Compensation Revolving Fund - 0332</u>			
Workers compensation reimbursements	\$ 1,153,306	\$ 1,661,809	\$ 933,469
Miscellaneous	84,798	85	20
Prior year refund	6,036	256	14,853
Total cash receipts per Department	1,244,140	1,662,150	948,342
Less - In transit at end of year	(19,292)	(2,238)	(328,382)
Plus - In transit at beginning of year	2,238	328,383	2,296
Total cash receipts per State Comptroller's records	<u>\$ 1,227,086</u>	<u>\$ 1,988,295</u>	<u>\$ 622,256</u>
<u>Group Insurance Premium Fund - 0457</u>			
Carrier refunds	\$ 9,755,847	\$ 9,230,604	\$ 5,820,002
Insurance premium-employees	1,052,837	1,261,500	1,007,425
Optional life deductions	45,991,389	54,899,316	55,829,411
Employer reimbursement for basic life coverage	11,643,812	10,509,384	11,021,944
General Revenue Fund	15,000,000	20,000,000	-
Road Fund	4,718,400	5,505,280	9,276,000
Prior year refund	706	69	-
Total cash receipts per Department	88,162,991	101,406,153	82,954,782
Less - In transit at end of year	(389,353)	(582,878)	(69,842)
Plus - In transit at beginning of year	582,878	69,842	40,096
Plus - Due from other funds end of year	5,000,706	-	-
Total cash receipts per State Comptroller's records	<u>\$ 93,357,222</u>	<u>\$ 100,893,117</u>	<u>\$ 82,925,036</u>
<u>Community College Health Insurance Security Fund - 0577</u>			
Reimbursement/third party	\$ 8,992	\$ -	\$ -
General Revenue Fund	13,340,829	4,492,429	-
SURS member payment	15,174	1,251,460	888,228
Federal Medicare Part D	169,475	162,831	75,628
Formulary Rebates	1,401,011	-	-
Prior Year Refund	775	-	-
Total cash receipts per Department	14,936,256	5,906,720	963,856
Less - In transit at end of year	(691)	(314,534)	(214,698)
Less - Due from other funds beginning of year	(3,950,018)	(4,309,111)	-
Plus - In transit at beginning of year	314,534	214,698	-
Plus - Due from other funds end of year	-	3,950,018	4,309,110
Total cash receipts per State Comptroller's records	<u>\$ 11,300,081</u>	<u>\$ 5,447,791</u>	<u>\$ 5,058,268</u>
<u>State Employees' Deferred Compensation Plan Fund - 0755</u>			
Payroll deductions	\$ 160,895,899	\$ 159,663,779	\$ 162,386,294
Reimbursement for jury duty and recoveries	250	232	412
Participant transfers	20,897,031	6,413,728	6,951,056
Plan record keeper reimbursement	1,000,000	1,200,000	1,200,000
Participant Transfers - Roth	46,050	79,788	-
Total cash receipts per Department	182,839,230	167,357,527	170,537,762
Less - In transit at end of year	(255,088)	(340,935)	(285,131)
Plus - In transit at beginning of year	340,935	285,132	142,552
Total cash receipts per State Comptroller's records	<u>\$ 182,925,077</u>	<u>\$ 167,301,724</u>	<u>\$ 170,395,183</u>

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER**
For the Years Ended June 30, 2019, 2018, and 2017

	Fiscal Year		
	2019	2018	2017
<u>State Surplus Property Revolving Fund - 0903</u>			
Sale of surplus property	\$ 2,858,874	\$ 2,335,755	\$ 2,562,192
Total cash receipts per Department	2,858,874	2,335,755	2,562,192
Less - In transit at end of year	(148,042)	(151,688)	(21,184)
Plus - In transit at beginning of year	151,688	21,181	65,253
Total cash receipts per State Comptroller's records	<u>\$ 2,862,520</u>	<u>\$ 2,205,248</u>	<u>\$ 2,606,261</u>
<u>Health Insurance Reserve Fund - 0907</u>			
Carrier refunds	\$ 3,701,703	\$ 57,294,406	\$ 49,499,486
Insurance premium-employees	7,570,360	7,631,336	5,549,425
Optional health deduction	313,638,585	312,525,739	318,861,394
Reimbursement of insurance premiums	184,308,113	190,760,107	190,734,560
Health facility - life/health	227,926,931	212,908,350	220,055,618
Federal Medicare Part D	4,969,123	5,345,741	2,910,541
General Revenue Fund	2,161,177,928	1,320,000,000	-
Formulary Rebates	68,275,503	-	-
Road Fund	113,241,600	132,126,720	222,620,000
Prior year refund	11,567	31	1,421
Total cash receipts per Department	3,084,821,413	2,238,592,430	1,010,232,445
Less - In transit at end of year	(4,558,454)	(31,438,657)	(13,283,014)
Less - Due from other funds beginning of year	(513,000,000)	-	-
Plus - In transit at beginning of year	31,438,657	13,283,014	413,090
Plus - Due from other funds end of year	381,421,753	513,000,000	-
Plus - Prior year refunds/ warrant voids	-	-	200
Total cash receipts per State Comptroller's records	<u>\$ 2,980,123,369</u>	<u>\$ 2,733,436,787</u>	<u>\$ 997,362,721</u>
GRAND TOTAL - ALL FUNDS			
Total cash receipts per Department - All Funds	\$ 4,213,591,106	\$ 3,233,494,756	\$ 1,953,190,517
Less - In transit at end of year	(6,541,584)	(37,771,577)	(16,964,225)
Less - due from other funds beginning of year	(772,237,741)	(121,201,828)	(2,457,699)
Plus - In transit at beginning of year	37,771,577	16,964,224	1,278,619
Plus - due from other funds end of year	641,029,254	772,237,741	121,201,827
Plus - Prior year refunds/ warrant voids	18,596	11,865	46,269
Total cash receipts per State Comptroller's records - All Funds	<u>\$ 4,113,631,208</u>	<u>\$ 3,863,735,181</u>	<u>\$ 2,056,295,308</u>

(Concluded)

(1) The Communication Revolving Fund transferred to the Department of Innovation and Technology (DoIT) per Executive Order 2016-001 as of July 1, 2016. The Department of Central Management Services had an ending June 30, 2017 balance in this account because the State Comptroller erroneously deposited \$1,244 with the Department rather than DoIT. This error was corrected in July 2017.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019
(Unaudited)

The Department of Central Management Services (Department) provides a wide variety of centralized services to other State and local governmental agencies.

The Department is administered from the seventh floor of the Stratton Office Building in Springfield, Illinois. The Department is led by Janel Forde, who was appointed Acting Director of Central Management Services on January 21, 2019. She was confirmed on February 18, 2020.

The Department is organized into the following major division/bureaus:

1. Bureau of Administrative Operations
 - Director's Office
 - Internal Audits
 - Finance and Management
 - Budget
 - Accounting
 - Payroll
 - Governmental Affairs
 - Labor Relations
 - Legal Services
 - Legal Services
 - Equal Employment Opportunity
 - Rapid Results
2. Bureau of Administrative Hearings
3. Bureau of Agency Services
 - Vehicles
 - Surplus Property
 - Mail and Messenger
4. Bureau of Benefits
 - Group Insurance Programs
 - State Employees Group Insurance Program
 - Local Government Program
 - Teacher's Health Insurance Program
 - Community College Insurance Program
 - Risk Management
 - Workers' Compensation
 - Auto Liability
 - Third Party Insurance Procurement
 - Representation of Indemnification

- Deferred Compensation
 - Investments
 - Administration
 - Flexible Spending
 - Medical & Eye Care for State Employees
 - Dependent Care
 - Parking
 - Commuter
5. Bureau of Business Enterprise Program
 - Certification
 - Compliance & Monitoring
 - Outreach
 6. Bureau of Information Services (Illinois Office of Communication & Information)
 - Graphic Design
 - Video Services
 - Multi-Media Services
 7. Bureau of Personnel
 - Classifications & Testing
 - Examining & Counseling
 - Transactions and Records
 - Veteran's Outreach
 - Diversity Enrichment
 - Shakman Compliance
 8. Bureau of Property Management
 - Energy Management
 - Facilities Management & Maintenance
 - Leasing & Purchasing
 - Space Planning
 - I-Cycle
 9. Bureau of Strategic Sourcing
 - Contract Management
 - Strategic Sourcing
 - State Use

The current organizational structure of the Department was developed to provide streamlined management, improved accountability and improved efficiency in the delivery of service to other agencies. The Department supports other State agencies by providing innovative, responsive, and effective services including human resources facilitation; benefits programs for employees, retirees, and local government; property and facilities management; diversity initiatives for public contracting and state employment; joint purchasing support; vehicle management; print and electronic communications services; and administrative hearings coordination.

Agency Planning Program

Subject matter experts have been identified in each bureau and serve as liaisons to the planning and performance measurement program. Performance data is requested as needed from the bureau liaisons for inclusion in the Comptroller's Service, Efforts and Accomplishments (SEA) reporting, as well as annual reporting for the Budgeting-for-Results initiative as led by the Governor's Office of Management and Budget (GOMB). Data is derived from various bureau generated reports. The reports are reviewed by bureau managers, Chief Operating Officer (COO), Deputy COO, Assistant Directors and the Director prior to submission, and subject to random detailed review as necessary. Significant variances in performance need to be justified to the Office of Finance and Management and any metric changes need to be approved both internally and by GOMB. The Comptroller's Office also requires the Department to explain any significant variations in SEA performance data.

The Department has a systematic strategic planning process in place for developing and evaluating the agency's key initiatives. In addition, a Project Management Office and Office of Rapid Results were established to support strategic planning and continuous improvement. The Department Bureaus are actively engaged in these efforts. The Department's leadership team and subject matter experts from each bureau also hold regular meetings to discuss and update goals and priorities, including an annual strategic planning meeting. The information resulting from these discussions is used to help prioritize initiatives and update the Department's strategic plan. Subject matter experts from each bureau help to ensure effective communication of strategic priorities and work collaboratively with senior leaders and agency staff to develop meaningful metrics to measure success.

The Department routinely provides update on the status of key initiatives, operations and performance metrics through the following reports:

Budgeting for Results/Illinois Performance Reporting System

Budgeting for Results is a joint effort between the Governor's Office of Management and Budget (GOMB) and the General Assembly. It is "targeted at moving the state budget process towards measuring the contributions of each government program to a set of statewide priority outcomes and informing investment decisions to optimize the achievement of those outcomes." (Source: Budgeting for Results 5th Annual Commission Report, November 1, 2015) In support of this effort, the Department submits performance metrics and data through GOMB's Illinois Performance Reporting System (IPRS) on a quarterly and/or annual basis.

Comptroller's Public Accountability Report/Service Efforts and Accomplishments

At the completion of each fiscal year, the Department submits SEA information on select programs to the Comptroller's Public Accountability Project. The information includes a narrative, program mission, goals, inputs, outputs, and performance data.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2019
(Unaudited)

The Illinois Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures as presented in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances – By Fund (Schedule 3) are detailed below. For the purpose of this analysis, a significant fluctuation is defined as a variation that equaled or exceeded \$500,000 and 20% as compared to the prior year.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND 2018

Capital Development Fund – 0141

The Department was not provided an appropriation from the Capital Development Fund in fiscal year 2019. This was a one-time appropriation that was transferred to the Department of Innovation and Technology during fiscal year 2018.

Teacher Health Insurance Security Fund – 0203

Expenditure activity was related to the timing of the receipt contributions. The General Revenue Fund makes contributions into the group health insurance funds. Those contributions were significantly slower in fiscal year 2017 than in previous years due to the budget impasse resulting in unusually high contributions for fiscal year 2018. In fiscal year 2019 contributions returned to a normal level.

Workers' Compensation Revolving Fund - 0332

Expenditures for this fund decreased in fiscal year 2019 due to timing and some reduction in medical liabilities. The Department does not believe the reduction in medical liabilities is a permanent trend.

Community College Health Insurance Security Fund – 0577

Expenditure activity was related to the timing of the receipt contributions. The General Revenue Fund makes contributions into the group health insurance funds. Those contributions were significantly slower in fiscal year 2017 than in previous years due to the budget impasse resulting in unusually high contributions for fiscal year 2018. In fiscal year 2019 contributions returned to a normal level.

State Surplus Property Revolving Fund – 0903

Expenditures for this fund increased in fiscal year 2019 due to the timing of payments. Expenditures were higher in fiscal year 2019 to make up for low cash flow in fiscal year 2018.

Health Insurance Reserve Fund – 0907

Bond proceeds were received in fiscal year 2018 that were not received in fiscal year 2019, resulting in a decrease in expenditures.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND 2017

General Revenue Fund – 0001

The fiscal impasse and budget issues with State government in fiscal year 2017 resulted in less funds being available. More funds were available in fiscal year 2018, resulting in an increase in expenditures.

Capital Development Fund- 0141

The Department was not provided an appropriation from the Capital Development Fund in fiscal year 2017. This was a one-time appropriation that was transferred to the Department of Innovation and Technology during fiscal year 2018.

Local Government Health Insurance Reserve Fund - 0193

Expenditure activity was related to the timing of the receipt contributions. The General Revenue Fund makes contributions into the group health insurance funds. Those contributions were significantly slower in fiscal year 2017 than in previous years due to the budget impasse resulting in unusually high contributions for fiscal year 2018.

Teacher Health Insurance Security Fund - 0203

Expenditure activity was related to the timing of the receipt contributions. The General Revenue Fund makes contributions into the group health insurance funds. Those contributions were significantly slower in fiscal year 2017 than in previous years due to the budget impasse resulting in unusually high contributions for fiscal year 2018.

Professional Services Fund – 0317

In fiscal year 2018, additional services moved into this fund such as Personnel, the Business Enterprise Program, and Strategic Sourcing, resulting in an increase in expenditures.

Community College Health Insurance Security Fund - 0577

Expenditure activity was related to the timing of the receipt contributions. The General Revenue Fund makes contributions into the group health insurance funds. Those contributions were significantly slower in fiscal year 2017 than in previous years due to the budget impasse resulting in unusually high contributions for fiscal year 2018.

Budget Stabilization Fund – 0686

This was a supplemental appropriation in fiscal year 2017 and was not repeated in other fiscal years.

State Surplus Property Revolving Fund – 0903

More personal service expenditures were paid out of this fund in fiscal year 2017. In fiscal year 2018, most of the payroll expenditures from this fund were moved to the General Revenue Fund, resulting in decreased expenditures.

Health Insurance Reserve Fund – 0907

Bond proceeds were received in fiscal year 2018 that were not received in fiscal year 2017, resulting in an increase in expenditures.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Fiscal Years Ended June 30, 2019
(Unaudited)

The Illinois Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than \$500,000 and 20% of total receipts for that category as presented in the Comparative Schedule of Cash Receipts and Reconciliation to Cash Receipts to Deposits Remitted to the Comptroller are detailed below.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2018 AND 2019

Road Fund – 0011

State Property Sales

The Department of Transportation sold vehicles through surplus in fiscal year 2019. All funds derived from the sale of all operable and inoperable vehicles are deposited by the Department into the State Surplus Property Revolving Fund or any other fund authorized by the legislature to receive proceeds of such sale. The Civil Administrative Code (20 ILCS 2705/2705-575) authorizes the Department to deposit surplus vehicle sales into the Road Fund. This was new for fiscal year 2019.

Local Government Health Insurance Reserve Fund – 0193

Reimbursement/Third Party

A new receipt account was created in fiscal year 2019 to separate formulary rebates from third party receipts. This resulted in third party receipts decreasing.

Formulary Rebates

A new receipt account was created in fiscal year 2019 to separate formulary rebates from third party receipts. This resulted in formulary rebates increasing.

Teachers Health Insurance Security Fund – 0203

Reimbursement/Third Party

A new receipt account was created in fiscal year 2019 to separate formulary rebates from third party receipts. This resulted in third party receipts decreasing.

Formulary Rebates

A new receipt account was created in fiscal year 2019 to separate rebates from third party receipts. This resulted in formulary rebates increasing.

General Revenue Fund transfer

The General Revenue Fund transfer account increased due to cash management performed by the Illinois Office of the Comptroller. More funds were available to be transferred in fiscal year 2019 than in fiscal year 2018 for this fund.

Facilities Management Revolving Fund – 0314

Miscellaneous

A legal settlement in fiscal year 2019 resulted in more receipts.

Workers' Compensation Revolving Fund – 0332

Workers Compensation Reimbursements

The receipts decreased due to less subrogation recoveries.

Group Insurance Premium Fund – 0457

General Revenue Fund

The General Revenue Fund receipts decreased due to cash management performed by the Illinois Office of the Comptroller. Less funds were available to be transferred in fiscal year 2019 than in fiscal year 2018 for this fund.

Community College Health Insurance Security Fund - 0577

General Revenue Fund

The General Revenue Fund receipts increased due to Illinois Office of the Comptroller cash management. More funds were available to be transferred in fiscal year 2019 than in fiscal year 2018 for this fund.

SURS Member Payment

A new receipt account was created in fiscal year 2019 to separate formulary rebates from SURS member payments. This resulted in SURS member payments decreasing.

Formulary Rebates

A new receipt account was created in fiscal year 2019 to separate rebates from SURS member payments. This resulted in formulary rebates increasing.

State Employees' Deferred Compensation Plan Fund – 0755

Participant transfers

The State Employees' Retirement System cost of living adjustment buyout began December 1, 2018, resulting in increased receipts.

State Surplus Property Revolving Fund - 0903

Sale of surplus property

Receipts in this category increased because the revenue fluctuates based on market, volume, and price agreed on when contracts are renewed or extended.

Health Insurance Reserve Fund – 0907

Carrier Refunds

A new receipt account was created in fiscal year 2019 to separate carrier refunds from formulary rebates. This resulted in carrier refunds decreasing.

General Revenue Fund

The General Revenue Fund receipts increased due to cash management performed by the Illinois Office of the Comptroller. More funds were available to be transferred in fiscal year 2019 than in fiscal year 2018 for this fund.

Formulary Rebates

A new receipt account was created in fiscal year 2019 to separate carrier refunds from formulary rebates. This resulted in formulary rebates increasing.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2017 AND 2018

Teachers Health Insurance Security Fund – 0203

Federal Medicare Part D

Receipts increased due to the timing of reimbursement requests.

State Garage Revolving Fund – 0303

Other Illinois State agencies

Receipts in this category decreased due to cash management performed by the Illinois Office of the Comptroller. The ending of the budget impasse allowed agencies to make payments again in fiscal year 2017; therefore, receipts for fiscal year 2017 were unusually high.

Workers' Compensation Revolving Fund – 0332

Workers' compensation reimbursements

Subrogation activities are represented in this category. Subrogation does not result in linear receipts. Sometimes there is potential for subrogation, while other times there is not. More subrogation activity occurred in fiscal year 2018 than in fiscal year 2017, which resulted in increased workers' compensation reimbursements.

Group Insurance Premium Fund - 0457

Carrier refunds

Receipts increased this year due to normal fluctuations based on the experience of the plan.

General Revenue Fund

General Revenue Fund receipts increased due to cash management performed by the Illinois Office of the Comptroller. More funds were available to be transferred in fiscal year 2018 than in fiscal year 2017 for this fund.

Road Fund

A supplemental appropriation was received in fiscal year 2017 that was not repeated in fiscal year 2018.

Community College Health Insurance Security Fund – 0577

General Revenue Fund

General Revenue Fund receipts increased due to cash management performed by the Illinois Office of the Comptroller. More funds were available to be transferred in fiscal year 2018 than in fiscal year 2017 for this fund.

Health Insurance Reserve Fund - 0907

Insurance Premium-Employees

Receipts in this category increased due to normal fluctuations in employee direct paid premiums.

Federal Medicare Part D

Receipts increased due to the timing of reimbursement requests.

General Revenue Fund

General Revenue Fund receipts increased due to cash management performed by the Illinois Office of the Comptroller. More funds were available to be transferred in fiscal year 2018 than in fiscal year 2017 for this fund.

Road Fund

The Road Fund receipts decreased due to the budget impasse. A supplemental appropriation was received in fiscal year 2017 was not repeated in fiscal year 2018.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2019
(Unaudited)

The Illinois Department of Central Management Services' (Department) explanations for significant lapse period spending as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2019 and 2018 (Schedules 1 and 2) are detailed below. For purposes of this analysis, significant lapse period spending is defined as \$500,000 and 20% or more of the total expenditures for the respective fiscal year.

Fiscal Year 2018

<u>Fund, Fund Number, and Explanation</u>	<u>Total Expenditures</u>	<u>Lapse Period Expenditures</u>	<u>Percent</u>
<p>Teacher Health Insurance Security Fund – 0203 There was a change in the Teacher Retirement Insurance Program cash management in conjunction with Illinois Office of the Comptroller (IOC). Previously, the Department would wait for enough cash to accumulate in the fund and then process a voucher for payment to the IOC who would then immediately release the warrant. During fiscal year 2018, the Department began processing vouchers for all invoices on hand for delivery to the IOC. The IOC would then place those vouchers in a hold until such a time as the Department requested the voucher to be released. This was done to speed up the process of the voucher release to eliminate funds sitting unused in the fund and to properly process the vouchers under the correct fiscal year. Due to this change in policy, a significant amount of voucher processing occurred during the lapse period.</p>	\$609,842,275	\$247,254,172	41%
<p>State Garage Revolving Fund – 0303 The end of the year is when the IOC releases more cash into the fund once they are certain the mandatory needs are met.</p>	\$52,280,520	\$14,354,266	27%
<p>Facilities Management Revolving Fund – 0314 One third of spending was done in lapse period as a result of the General Revenue Fund hold cycle.</p>	\$187,689,323	\$57,329,869	31%

Fiscal Year 2018

<u>Fund, Fund Number, and Explanation</u>	<u>Total Expenditures</u>	<u>Lapse Period Expenditures</u>	<u>Percent</u>
<p>Community College Health Ins. Program – 0577</p> <p>There was a change in the Community College Insurance Program cash management in conjunction with IOC. Previously, the Department would wait for enough cash to accumulate in the fund and then process a voucher for payment to the IOC who would then immediately release the warrant. During fiscal year 2018, the Department began processing vouchers for all invoices on hand for delivery to the IOC. The IOC would then place those vouchers in a hold until such a time as the Department requested the voucher to be released. This was done to speed up the process of the voucher release to eliminate funds sitting unused in the fund and to properly process the vouchers under the correct fiscal year. Due to this change in policy, a significant amount of voucher processing occurred during the lapse period.</p>	\$80,076,776	\$55,324,622	69%
<p>Health Insurance Reserve Fund – 0907</p> <p>There was a change in the State Employee Group Insurance Program cash management in conjunction with Illinois Office of the Comptroller (IOC). Previously, the Department would wait for enough cash to accumulate in the fund and then process a voucher for payment to the IOC who would then immediately release the warrant. During fiscal year 2018, the Department began processing vouchers for all invoices on hand for delivery to the IOC. The IOC would then place those vouchers in a hold until such a time as the Department requested the voucher to be released. This was done to speed up the process of the voucher release to eliminate funds sitting unused in the fund and to properly process the vouchers under the correct fiscal year. Due to this change in policy, a significant amount of voucher processing occurred during the lapse period.</p>	\$5,849,445,901	\$1,645,379,952	28%

Fiscal Year 2019

<u>Fund, Fund Number, and Explanation</u>	<u>Total Expenditures</u>	<u>Lapse Period Expenditures</u>	<u>Percent</u>
State Garage Revolving Fund – 0303 The Department purchased several vehicles in lapse period due to the IOC holding several General Revenue Fund payments into the State Garage Revolving Fund. Once the held funds were released by the IOC, more cash was available for the purchase of vehicles.	\$57,268,809	\$11,338,927	20%
Community College Health Ins. Program – 0577 The Department received a \$5 million supplemental appropriation at the end of the fiscal year, resulting in increased lapsed spending.	\$53,991,260	\$13,610,293	25%
State Surplus Property Revolving Fund – 0903 The Department moved payroll from the General Revenue Fund to the State Surplus Property Revolving Fund towards the end of the year and into lapse period. The State Surplus Property Revolving Fund was experiencing cash flow issues. Once more cash was available payroll was moved from the General Revenue Fund to the State Surplus Property Revolving Fund.	\$2,047,615	\$499,660	24%

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE

June 30, 2019

(Expressed in Thousands)
(Unaudited)

The Department of Central Management Services (Department) utilizes the Attorney General, a private collection agency, and the Comptroller's Offset System to collect receivables. An aging schedule of the Department's accounts receivable at June 30, 2019 is presented below:

Fund	Current	Days				Over 365 Days	Total
		1-30	31 to 90	91 to 180	181 to 365		
General Revenue Fund - 0001	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ 624	\$ 654
State Garage Revolving Fund - 0303	92	3,162	6,578	4,406	6,846	9,713	30,797
Facilities Management Revolving Fund - 0314	29,279	7,254	44,308	7,091	20,851	25,847	134,630
State Surplus Property Revolving Fund - 0903	-	2	17	7	4	-	30
Total	\$ 29,401	\$ 10,418	\$ 50,903	\$ 11,504	\$ 27,701	\$ 36,184	\$ 166,111
Less: allowance for uncollectible accounts							<u>(63)</u>
Net accounts receivable							<u><u>\$ 166,048</u></u>

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE

June 30, 2018

(Expressed in Thousands)
(Unaudited)

The Department of Central Management Services (Department) utilizes the Attorney General, a private collection agency, and the Comptroller's Offset System to collect receivables. An aging schedule of the Department's accounts receivable at June 30, 2018 is presented

Fund	Current	Days				Over 365 Days	Total
		1-30 Days	31 to 90 Days	91 to 180 Days	181 to 365 Days		
General Revenue Fund - 0001	\$ 32	\$ 1	\$ -	\$ -	\$ -	\$ 628	\$ 661
State Garage Revolving Fund - 0303	239	-	4,674	4,426	7,199	14,954	31,492
Facilities Management Revolving Fund - 0314	16,961	-	11,161	46,951	37,469	28,595	141,137
State Surplus Property Revolving Fund - 0903	(21)	-	25	10	30	7	51
Total	\$ 17,211	\$ 1	\$ 15,860	\$ 51,387	\$ 44,698	\$ 44,184	\$ 173,341
Less: allowance for uncollectible accounts							<u>(605)</u>
Net accounts receivable							<u>\$ 172,736</u>

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2019
(Unaudited)

Payment of Prior Year Costs in Future Fiscal Years

Article 998 of Public Act 100-0021 authorized the Illinois Department of Central Management Services (Department) to pay its unpaid fiscal year 2016 and fiscal year 2017 costs using fiscal year 2018 appropriations for non-payroll expenditures. The following chart details the invoices the Department paid using fiscal year 2018 appropriations:

Fund Name	Fund No.	Fiscal Year 2016 Invoices	
		Dollar Value	Number
General Revenue Fund	0001	\$ 16,853,467	26
State Garage Revolving Fund	0303	20,520	34
Facilities Management Revolving Fund	0314	560,642	289
Professional Services Fund	0317	16,655	7
Group Insurance Premium Fund	0457	15,602	16
Health Insurance Reserve Fund	0907	1,006,771,188	317

Fund Name	Fund No.	Fiscal Year 2017 Invoices	
		Dollar Value	Number
General Revenue Fund	0001	\$ 11,487,016	167
State Garage Revolving Fund	0303	391,736	195
Facilities Management Revolving Fund	0314	5,419,254	2,156
Professional Services Fund	0317	117,043	63
Workers' Compensation Revolving Fund	0332	414,025	6
Group Insurance Premium Fund	0457	126,920	113
State Employees' Deferred Compensation Plan Fund	0755	15,854	1
Health Insurance Reserve Fund	0907	1,590,897,645	610

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30, 2019, 2018, and 2017
(Unaudited)

The following table, prepared from Department of Central Management Services' records, presents the average full-time number of employees for the fiscal years ended June 30, 2019, 2018, and 2017.

<u>Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Agency Services	145	145	153
Administrative Operations	238	261 *	124
Personnel	6	- *	102
Benefits	64	70	65
Property Management	265	262	265
Business Enterprise Program	- *	- *	16
Strategic Sourcing	- *	- *	26
	<u>718</u>	<u>738</u>	<u>751</u>
Total average full-time employees	<u>718</u>	<u>738</u>	<u>751</u>

* In fiscal year 2018, Personnel, Business Enterprise Program, and Strategic Sourcing were shifted to the Bureau of Administrative Operations.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
EMERGENCY PURCHASES
For the Two Years Ended June 30, 2019
(Unaudited)

The Department reported the following emergency purchases during fiscal years 2018 and 2019:

Fiscal Year	Description	Actual Amount
2018	Procurement to replace the Autocall Fire Alarm and Voice Communication Control Panels at the James R. Thompson Center with a new notifier addressable fire alarm system and voice communication panel.	\$ 325,190
2018	Procurement to remove a trapped individual from the elevator and to provide elevator maintenance and repair.	23,400
2018	Procurement to provide facility management services to 401 S. Clinton Building in Chicago. The contract is necessary to ensure the operations and cleanliness of the facility while the Department procures a long-term solution.	179,904
2018	Procurement to provide facility management services to 401 S. Clinton Building in Chicago. The contract is necessary to ensure the operations and cleanliness of the facility while the Department procures a long-term solution. A second emergency purchase was made for facility management services to 401 S. Clinton Building in Chicago because the Invitation for Bid (IFB) was cancelled due to ambiguous or otherwise inadequate specifications. When the IFB was cancelled there was not enough time to go through the procurement process.	169,015
2018	The Procurement is for continued occupancy and payment of rent at a Department of Healthcare and Family Services (HFS) building in Springfield while the Department continues to negotiate the lease or find an alternative location.	232,921
2018	An extension of the emergency purchase for continued occupancy and payment of rent at an HFS building in Springfield while the Department continues to negotiate the lease or find an alternative location.	488,993
2018	The procurement is for continued occupancy and payment of rent at the Department of Employment Security building in Harvey while the Department continues to negotiate the lease or find an alternative location.	77,915
2018	The procurement is for continued occupancy and payment of rent at an HFS building in Springfield while the Department continues to negotiate the lease or find an alternative location.	156,557
		\$ 1,653,895
2019	Procurement to provide providing fingerprinting and photographic identification services throughout the State. Livescan and ink fingerprinting and photographic identification services for non-criminal background checks are required for licensing and employment purposes.	\$ 397,825

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
MEMORANDUM OF UNDERSTANDING
For the Two Years Ended June 30, 2019
(Unaudited)

The Illinois Department of Central Management Services (Department) was a party to the following Memorandum of Understandings (MOU) during the engagement period.

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME)

The Department entered into an agreement with AFSCME which allows union members the ability to designate a Coordinator for the Upward Mobility Program (UMP) Committee, to be paid by UMP funds. The MOU has been in effect since fiscal year 1995. The MOU terminates at the end of fiscal year 2023.

The Department entered into an agreement with AFSCME concerning agreed rates for retirees' health insurance premiums. This MOU has been in effect since fiscal year 1998. The MOU does not have a termination date.

The Department entered into an agreement with AFSCME which states that, in exchange for the State requiring individuals to acknowledge they are part of a revolving door provision, AFSCME will move to dismiss charges of unfair labor practices regarding the impact revolving door provisions have on bargaining. This MOU has been in effect since fiscal year 2014. The MOU does not have a termination date.

ILLINOIS DEPARTMENT OF TRANSPORTATION (IDOT)

The Department entered into an agreement with IDOT which clarifies the proper reporting of particular damage claims in relation to IDOT and the Illinois Self-Insured Motor Liability Plan, regarding specific claims. This MOU has been in effect since fiscal year 2010. The MOU does not have a termination date.

ILLINOIS OFFICE OF THE COMPTROLLER (IOC) AND ILLINOIS TOLL HIGHWAY AUTHORITY (ITHA)

The Department entered into an agreement with the IOC and ITHA which will send the ITHA payroll deductions from the CMS Bureau of Benefits' Flex Program for ITHA tolls to a bank account established by the ITHA. This MOU has been in effect since fiscal year 2005. The MOU does not have a termination date.

U.S. DEPARTMENT OF DEFENSE (DOD), DEFENSE LOGISTICS AGENCY (DLA)

The Department entered into an agreement with the DLA Disposition Service, Law Enforcement Support Office (LESO) for the purpose of transferring excess DOD personal property to suitable law enforcement activities in the State. This MOU has been in effect since fiscal year 2017. Additionally, another MOU, concerning the same issue, was signed in fiscal year 2019. The MOU does not have a termination date.

U.S. GENERAL SERVICES ADMINISTRATION (GSA)

The Department entered into an agreement with the GSA for the purpose of disbursing excess federal civilian agencies property. This MOU has been in effect since fiscal year 2002. The MOU does not have a termination date.

The Department entered into an agreement with the GSA for the purpose of providing eligible participants of the U.S. Small Business Administration's Business Development Program the ability to obtain excess federal civilian agencies property. This MOU has been in effect since fiscal year 2018. The MOU does not have a termination date.