



STATE OF ILLINOIS
 OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND

Financial Audit
For the Year Ended June 30, 2016

Release Date: February 23, 2017

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

INTRODUCTION

This digest covers our financial audit of the Community College Health Insurance Security Fund for the year ended June 30, 2016. At June 30, 2016 the Net Position Held in Trust for Other Postemployment Benefits reflected a deficit of \$29,413,000. Further, the Schedule of Funding Progress reflects an Unfunded Actuarial Accrued Liability of \$1,680,761,000.

SYNOPSIS

- **(16-1)** The Department failed to record employer and member State Universities Retirement System contributions receivable resulting in a \$370 thousand understatement of receivables and contributions at June 30, 2016.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2016**

| STATEMENT OF CHANGES IN PLAN NET POSITION (expressed in thousands) | Fiscal Year 2016 | Fiscal Year 2015 |
|-------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Additions | | |
| Contributions | | |
| Employer..... | \$ 4,417 | \$ 4,295 |
| State..... | 4,625 | 4,479 |
| Plan Members | | |
| Actives..... | 4,417 | 4,295 |
| Retirees..... | 12,284 | 12,209 |
| Federal Government Medicare Part D..... | 157 | 271 |
| Total Contributions..... | <u>25,900</u> | <u>25,549</u> |
| Interest Income..... | 9 | 9 |
| Other Additions..... | - | 406 |
| Total Additions..... | <u>25,909</u> | <u>25,964</u> |
| Deductions | | |
| Benefit Payments and Refunds..... | 26,608 | 32,125 |
| General and Administrative..... | 1,940 | 2,000 |
| Total Deductions..... | <u>28,548</u> | <u>34,125</u> |
| Net Additions (Deductions)..... | (2,639) | (8,161) |
| Net Position Held in Trust for Other Postemployment Benefits | | |
| Beginning of Year..... | (26,774) | (18,613) |
| End of Year..... | <u>\$ (29,413)</u> | <u>\$ (26,774)</u> |

| SCHEDULE OF FUNDING PROGRESS (expressed in thousands) | June 30, 2014 | June 30, 2013 | June 30, 2011 |
|------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Actuarial Value of Assets..... | \$ (18,613) | \$ (13,238) | \$ (19,657) |
| Actuarial Accrued Liability - Projected Unit..... | \$ 1,662,148 | \$ 2,382,196 | \$ 2,053,133 |
| Unfunded Actuarial Accrued Liability..... | \$ 1,680,761 | \$ 2,395,434 | \$ 2,072,790 |
| Funded Ratio..... | -1.12% | -0.56% | -0.96% |

| SUPPLEMENTARY INFORMATION | Fiscal Year 2016 | Fiscal Year 2015 |
|-----------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Number of retirees and beneficiaries receiving benefits..... | 6,675 | 6,476 |
| Number of waived retirees who may elect healthcare coverage in the future..... | 1,698 | 1,591 |
| Number of terminated plan members entitled to but not yet receiving benefits..... | 3,871 | 4,343 |
| Number of active plan members..... | 22,059 | 21,922 |
| Total..... | <u>34,303</u> | <u>34,332</u> |
| Number of participating employers..... | 39 | 39 |

| AGENCY DIRECTOR |
|------------------------------------------------------------------|
| During Examination Period: Tom Tyrrell (4/30/15 through 1/15/16) |
| Michael Hoffman - Acting (1/16/16 - present) |
| Currently: Michael Hoffman - Acting |

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**WEAKNESSES IN INTERNAL CONTROL OVER
FINANCIAL REPORTING**

The Department's year-end financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) to the Illinois Office of the State Comptroller contained a material error in the determination of certain year-end account balances for the Community College Health Insurance Security Fund.

Receivables and contributions understated by \$370 thousand

The Department understated receivables and contributions by \$370 thousand due to the failure to record employer and member State Universities Retirement System (SURS) contributions receivable. The Department revised the applicable financial statements for this error. (Finding 1, pages 20-21)

We recommended the Department implement procedures and cross-training measures to ensure required financial information is prepared in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure accurate and reliable financial information is prepared and submitted to the Office of the State Comptroller. These procedures should address all elements of the Department's financial reporting process including, but not limited to, accruals for liabilities, supervisory review of supporting spreadsheets for data accumulation, and the preparation of management estimates.

Department agrees with auditors

Department management agreed with our recommendation and stated it will continue to update its financial reporting procedures to help ensure accurate and reliable financial information is prepared and submitted to the Office of the Comptroller.

AUDITOR'S OPINION

Our auditors stated the financial statements of the Community College Health Insurance Security Fund as of June 30, 2016, and for the year then ended, are fairly stated in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:SKM

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Sikich, LLP.