



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, 2017

Release Date: February 22, 2018

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

INTRODUCTION

This digest covers our financial audit of the Community College Health Insurance Security Fund for the year ended June 30, 2017. At June 30, 2017 the Net Position reflected a deficit of \$50,818,000. Further, the Schedule of Changes in Net OPEB Liability reflects a Net OPEB Liability of \$1,823,636,960.

SYNOPSIS

- **(17-1)** The Department’s year-end financial reporting to the Office of the State Comptroller contained errors in the determination of certain year-end account balances.

- 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.

{Financial information is summarized on next page.}

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

For the Year Ended June 30, 2017

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (expressed in thousands)	Fiscal Year 2017	Fiscal Year 2016
Additions		
Contributions		
Employer.....	\$ 4,367	\$ 4,417
State.....	4,309	4,625
Plan Members		
Actives.....	4,367	4,417
Retirees.....	-	12,284
Federal Government Medicare Part D.....	185	157
Total Contributions.....	<u>13,228</u>	<u>25,900</u>
Interest Income.....	24	9
Total Additions.....	<u>13,252</u>	<u>25,909</u>
Deductions		
Benefit Payments and Refunds.....	22,918	26,608
General and Administrative.....	2,886	1,940
Total Deductions.....	<u>25,804</u>	<u>28,548</u>
Net Additions (Deductions).....	(12,552)	(2,639)
Unrestricted Net Position		
Beginning of Year, as restated.....	(38,266)	(26,774)
End of Year.....	<u>\$ (50,818)</u>	<u>\$ (29,413)</u>
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)	June 30, 2017 *	
Total OPEB Liability- Beginning.....	\$ 1,781,688	
Net Change in Total OPEB Liability.....	\$ (8,869)	
Total OPEB Liability- Ending.....	\$ 1,772,819	
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	-2.87%	
* Note: GASB 74 was implemented for Fiscal Year 2017. Information is not available prior to 2017.		
PARTICIPANT INFORMATION	Fiscal Year 2017	Fiscal Year 2016
Number of Retirees and Beneficiaries.....	6,031	6,675
Number of Inactive, Nonretired Members.....	5,679	5,569
Number of Active Members.....	20,319	22,059
Total.....	<u>32,029</u>	<u>34,303</u>
Number of participating employers.....	39	39
Number of nonemployer contributing entities.....	1	1
AGENCY DIRECTOR		
During Examination Period: Michael Hoffman - Acting		
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 errors in the determination of certain year-end account balances for the Community College Health Insurance Security Fund.

During the audit of the June 30, 2017 financial statements we noted the following errors for which the Department revised their financial statements:

- The Department understated accrued liabilities in the Community College Health Insurance Security Fund by \$199 thousand due to the exclusion of certain prescription drug benefit liabilities.
- In the prior fiscal year, the Department understated their accrued liabilities and benefit payments by \$8.853 million in the Community College Health Insurance Security Fund due to a mathematical error when calculating the accrued liability. The Department restated its financial statements as of July 1, 2016 to correct for these errors.
- The Department overstated accounts receivable in the Community College Health Insurance Security Fund by \$215 thousand due to including a deposit in transit in accounts receivable and cash. It should not have been included in accounts receivable. (Finding 1, pages 24-25).

**\$8.853 million prior year
restatement to correct errors**

**Accounts receivable overstated by
\$215 thousand**

We recommended the Department implement procedures and cross-training measures throughout the Department to ensure required financial information is submitted to those responsible for financial reporting in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure adequate 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 and receivables and supervisory review of supporting spreadsheets for data accumulation.

Department agrees with auditors

The Department agreed with the finding and stated they will strive to implement cross-training measures and financial reporting procedures to ensure timeliness, accuracy, reliability and reasonableness of data utilized to perform financial

reporting. Additionally, the Department stated they will continue to work diligently to fill key positions to ensure an independent, internal analytical review of calculations is documented and completed timely.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department of Central Management Services, Community College Health Insurance Security Fund as of and for the year ended June 30, 2017, are fairly stated in all material respects.

This financial audit was conducted by Sikich, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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