



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, 2020**

**Release Date: June 2, 2021**

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

**SYNOPSIS**

- (20-01) The Department did not conduct adequate independent internal control reviews over its external service providers' System and Organization Control (SOC) reports utilized by the College Insurance Program (Program).

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

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND  
FINANCIAL AUDIT  
For the Year Ended June 30, 2020**

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (expressed in thousands)</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
<b>Additions</b>		
Contributions		
Employer.....	\$ 4,598	\$ 4,488
State.....	4,598	9,487
Active Plan Members.....	4,598	4,488
Federal Government Medicare Part D.....	97	171
Total Contributions.....	<u>13,891</u>	<u>18,634</u>
Interest Income.....	25	48
Total Additions.....	<u>13,916</u>	<u>18,682</u>
<b>Deductions</b>		
Benefit Payments and Refunds.....	22,802	24,800
General and Administrative Expenses.....	4,229	4,198
Total Deductions.....	<u>27,031</u>	<u>28,998</u>
<b>Net Additions (Deductions).....</b>	<b>(13,115)</b>	<b>(10,316)</b>
<b>Unrestricted Net Position</b>		
Beginning of Year.....	<u>(74,856)</u>	<u>(64,540)</u>
<b>End of Year.....</b>	<b>\$ (87,971)</b>	<b>\$ (74,856)</b>
<b>SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Total OPEB Liability- Beginning.....	\$ 1,813,684	\$ 1,820,712
Net Change in Total OPEB Liability.....	\$ (78,891)	\$ (7,028)
Total OPEB Liability- Ending.....	\$ 1,734,793	\$ 1,813,684
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	-5.07%	-4.13%
<b>PARTICIPANT INFORMATION</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
Number of Retirees.....	6,667	6,507
Number of Inactive, Nonretired Members.....	6,181	6,084
Number of Active Members.....	19,757	19,707
Total .....	<u>32,605</u>	<u>32,298</u>
Number of participating employers.....	39	39
Number of nonemployer contributing entities.....	1	1
<b>AGENCY DIRECTOR</b>		
During Audit Period: Janel Forde (effective 2/18/20); Janel Forde (Acting) (7/1/19 - 2/17/20)		
Currently: Janel Forde		

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**INADEQUATE REVIEW OF EXTERNAL SERVICE PROVIDERS**

The Department of Central Management Services (Department) did not conduct adequate independent internal control reviews over its external service providers' System and Organization Control (SOC) reports utilized by the College Insurance Program (Program).

**11 external service providers used by the Department**

The Department currently receives copies of the SOC reports from 11 different external service providers and performs an independent internal control review of each SOC report to determine whether any areas of concern are noted for the Program. In total the Department received 14 SOC reports during the audit period for the Program.

These service providers provide:

- Medical plan coverage and payments
- Claims processing
- Benefits solutions
- Plan administration
- IT hosting

During testing of the 14 SOC reports, we noted the following:

**Assessment not performed to determine implementation of CUECs**

- Fourteen of 14 (100%) SOC reports identified Complementary User Entity Controls (CUEC) necessary for the Service Organization's system which relies on the Department to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform an assessment to determine if it had implemented the CUECs for each.

**Additional assessments not performed for subservice organizations carved out of SOC report**

- Ten of 14 (71%) SOC external service provider reports identified additional subservice organizations used by the service organization that were carved out of the SOC report. These subservice organizations required additional CUECs and the service provider relied on the subservice organizations to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform additional assessments on the subservice organizations to determine if the CUECs had been implemented.

**Assessment not performed to determine reliance on SOC reports with qualified opinions**

- Eight of 14 (57%) SOC reports had qualified opinions due to deficiencies noted by the SOC auditors. The Department did not perform an analysis on whether they could rely on the external service providers' controls due to the deficiencies noted in the SOC reports with

qualified opinions. Through our assessment of the types of deficiencies noted by the SOC auditors, and the substantive testing we performed in other areas of our audit, we were able to rely on the testing and assurance provided by the SOC reports. (Finding 1, pages 24-27)

We recommended the Department:

- Monitor and document the operation of the CUECs relevant to the Department's operations.
- Either obtain and review SOC reports for subservice organizations, if applicable to the Department's internal control environment, or perform alternative procedures to satisfy itself the usage of the subservice organizations would not impact the Department's internal control environment. Such review and procedures should be documented.
- Document its review of the SOC reports and review all significant issues with third-party service providers and 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.

The Department accepted our recommendation and stated it has worked with the Department of Innovation and Technology and its external service providers to update its SOC Review Process.

**Department accepted recommendation**

### **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, 2020, 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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