



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, 2023**

**Release Date: February 15, 2024**

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>	2021		23-1	
<b>Category 2:</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 2</b>							

**INTRODUCTION**

This digest covers the Department of Central Management Services (Department), Community College Health Insurance Security Fund financial audit as of the year ended June 30, 2023.

**SYNOPSIS**

- (23-1) The Department failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program.

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

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND  
FINANCIAL AUDIT  
For the Year Ended June 30, 2023**

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)</b>	<b>FY 2023</b>	<b>FY 2022</b>
<b>Additions</b>		
Contributions		
Employer .....	\$ 4,945	\$ 4,715
State.....	29,945	4,715
Active Plan Member .....	4,945	4,715
Federal Government Medicare Part D.....	50	58
Total Contributions .....	<u>39,885</u>	<u>14,203</u>
Investment income .....	168	16
Total Additions.....	<u>40,053</u>	<u>14,219</u>
<b>Deductions</b>		
Benefit Payments and Refunds.....	18,543	27,628
General and Administrative Expenses.....	5,023	6,049
Total Deductions.....	<u>23,566</u>	<u>33,677</u>
<b>Net Additions (Deductions).....</b>	<b>16,487</b>	<b>(19,458)</b>
Unrestricted Net Position		
Beginning of Year.....	(123,594)	(104,136)
<b>End of Year.....</b>	<b><u>\$ (107,107)</u></b>	<b><u>\$ (123,594)</u></b>
<b>SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Total OPEB Liability - Beginning .....	\$ 560,966	\$ 1,631,397
Net Change in Total OPEB Liability .....	38,260	(1,070,431)
Total OPEB Liability - Ending .....	599,226	560,966
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability .....	-17.87%	-22.03%
<b>PARTICIPANT INFORMATION</b>	<b>FY 2023</b>	<b>FY 2022</b>
Number of Retirees.....	6,913	6,786
Number of Inactive, Nonretired Members .....	6,526	6,513
Number of Active Members .....	18,661	18,791
Total .....	<u>32,100</u>	<u>32,090</u>
Number of Participating Employers .....	39	39
Number of Nonemployer Contributing Entities.....	1	1
<b>AGENCY DIRECTOR</b>		
During Audit Period: Anthony Pascente (Acting) (7/1/22 - 1/20/23), Raven DeVaughn (Acting) (1/21/23 - Present)		
Currently: Raven DeVaughn (Acting)		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**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 actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2023 testing, we continued to identify exceptions, as noted below:

**13.42% of insurance rate that was benefit recipient's responsibility was covered by the Fund**

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 13.42% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$340,388.

**Fund deficit of \$107.107 million and no reserve**

- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2023, the Program had a fund deficit of \$107.107 million. The Program does not have an actuarially sound reserve. (Finding 1, pages 25-26) **This finding has been reported since 2021.**

We recommended the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommended 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 Program or seek legislative relief from the statutory requirement.

**Department agreed**

The Department agreed with the finding and has worked with the Governor's Office of Management and Budget (GOMB) to enact legislation that will allow for increases to the contributions provided by active employees, districts, and the General Revenue Fund. Additionally, the department stated it worked with GOMB to provide for an additional \$50 million in transfers to the fund which was used to reduce the payment back log. Lastly, the Department stated that these two

remedies, based upon current projections, are expected to completely eliminate the back log by Fiscal Year 2032. Subsequently, revenues will be accrued in order to establish a sound reserve balance.

**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, 2023, are fairly stated in all material respects.

This financial audit was conducted by Sikich LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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