



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, 2024

Release Date: March 13, 2025

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2021		24-1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

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, 2024.

SYNOPSIS

- (24-1) The Department failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program.

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

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)	Fiscal Year 2024	Fiscal Year 2023
Additions		
Contributions		
Employer	\$ 7,950	\$ 4,945
State.....	7,950	29,945
Active Plan Member	7,949	4,945
Federal Government Medicare Part D.....	35	50
Total Contributions	<u>23,884</u>	<u>39,885</u>
Investment income	277	168
Total Additions.....	<u>24,161</u>	<u>40,053</u>
Deductions		
Benefit Payments and Refunds.....	16,006	18,543
General and Administrative Expenses.....	4,673	5,023
Total Deductions.....	<u>20,679</u>	<u>23,566</u>
Net Additions (Deductions).....	3,482	16,487
Unrestricted Net Position		
Beginning of Year.....	(107,107)	(123,594)
End of Year.....	<u>\$ (103,625)</u>	<u>\$ (107,107)</u>
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)	June 30, 2024	June 30, 2023
Total OPEB Liability - Beginning	\$ 599,226	\$ 560,966
Net Change in Total OPEB Liability	(37,661)	38,260
Total OPEB Liability - Ending	561,565	599,226
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-18.45%	-17.87%
PARTICIPANT INFORMATION	Fiscal Year 2024	Fiscal Year 2023
Number of Retirees.....	6,552	6,913
Number of Inactive, Nonretired Members	6,624	6,526
Number of Active Members	18,775	18,661
Total	<u>31,951</u>	<u>32,100</u>
Number of Participating Employers	39	39
Number of Nonemployer Contributing Entities.....	1	1
AGENCY DIRECTOR		
During Audit Period: Raven DeVaughn (Acting) (7/1/23 - 3/6/24), Raven DeVaughn (3/7/24 - Present)		
Currently: Raven DeVaughn		

**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 2024 testing, we continued to identify exceptions, as noted below:

12.23% 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 12.23% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$306,092.

Fund deficit of \$103.625 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, 2024, the Program had a fund deficit of \$103.625 million. The Program does not have an actuarially sound reserve. (Finding 1, pages 26-27). **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 (GOMB) to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.

Department agreed

The Department stated it accepted the finding and recommendation and has worked with 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 Fund as of and for the year ended June 30, 2024, are fairly stated in all material respects.

This financial audit was conducted by Skich CPA LLC.

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA
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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