



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

**Financial Audit
 For the Year Ended June 30, 2022**

Release Date: April 6, 2023

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2019		22-1*	
Category 2:	2	1	3	* Finding 2019-002 was reported in the Department's State Compliance Examination for the two years ended June 30, 2019.			
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	2	1	3				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

This digest covers the Department of Central Management Services' (Department) Financial Audit as of and for the year ended June 30, 2022.

SYNOPSIS

- (22-1) The Department failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program.
- (22-3) The Department did not have sufficient controls over their change management procedures.

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
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2022	FY 2021
REVENUES		
Interest and other investment income.....	\$ 19	\$ 14
Other.....	3,438	2,687
Federal Operating Revenues.....	4,490	2,254
Total revenues.....	7,947	4,955
EXPENDITURES		
General government.....	178,911	175,283
Education.....	888,225	881,756
Employment and economic development.....	31,680	30,928
Health and social services.....	375,081	368,614
Transportation.....	116,594	194,677
Public protection and justice.....	390,139	394,874
Environment and business regulation.....	68,250	67,304
Debt service - principal.....	2	-
Capital outlays.....	3	-
Total expenditures.....	2,048,885	2,113,436
OTHER SOURCES (USES)		
Appropriations from State resources.....	2,990,235	2,261,009
Lapsed appropriations.....	(2,125)	(7,034)
Receipts collected and transmitted to State Treasury.....	(2,103)	(1,946)
Amount of SAMS transfers-in.....	-	(924)
Amount of SAMS transfers-out.....	218,000	13,000
Proceeds from lease financing.....	3	-
Transfers-out.....	(30,000)	-
Total other sources (uses).....	3,174,010	2,264,105
Net change in fund balance.....	1,133,072	155,624
Fund balance (deficit) July 1, as restated.....	(1,168,434)	(1,324,058)
Fund balance (deficit) June 30.....	\$ (35,362)	\$ (1,168,434)
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2022	June 30, 2021
ASSETS		
Unexpended appropriations.....	\$ 23,973	\$ 34,130
Cash equity with State Treasurer.....	17,553	26,455
Cash and cash equivalents.....	4,732	1,436
Other receivables, net.....	73	1,345
Due from other Department funds.....	3,423	108
Due from other State funds.....	-	46
Securities lending collateral equity of State Treasurer.....	1,202	3,402
Total assets.....	\$ 50,956	\$ 66,922
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 17,793	\$ 24,104
Intergovernmental payables.....	47	74
Due to other State fiduciary funds.....	-	10
Due to other Department funds.....	66,293	988,099
Due to other State funds.....	586	219,193
Due to State of Illinois component units.....	266	145
Matured portion of long-term obligations.....	78	238
Obligations under securities lending of State Treasurer.....	1,202	3,402
Deferred inflows of resources - unavailable revenue.....	53	91
Total liabilities and deferred inflows of resources.....	86,318	1,235,356
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	(35,362)	(1,168,434)
Total liabilities, deferred inflows of resources and fund balance (deficit).....	\$ 50,956	\$ 66,922
AGENCY DIRECTOR		
During Audit Period: Janel Forde (7/1/21 - 6/12/22), Anthony Pascente (Acting) (6/13/22 - 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 2022 testing, we continued to identify exceptions, as noted below:

1.932% 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 375/6.9(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 1.932% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$42,066.

Fund deficit of \$123.594 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, 2022, the Program had a fund deficit of \$123.594 million. Additionally, the Program experienced a loss of \$19.458 million during Fiscal Year 2022. The Program does not have an actuarially sound reserve. (Finding 1, pages 68-69)

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 stated it will seek legislative relief as an expected bill is in the process of being introduced.

INADEQUATE CONTROLS OVER CHANGE MANAGEMENT

The Department did not have sufficient controls over their change management procedures.

Complete and accurate population of application changes could not be provided

Change control is the systematic approach to managing changes to an IT environment, applications, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes. The Department was unable to provide a complete and accurate population of changes for applications maintained by the Department; therefore, we were unable to perform any testing of the internal controls over changes to the applications and data. (Finding 3, page 72)

We recommended the Department implement controls in order to track the changes made to their applications and data.

Department agreed

The Department agreed with the finding and stated it will work with the Department of Innovation and Technology (DoIT) to obtain the information needed to implement the controls necessary for tracking changes made to its applications.

OTHER FINDING

The remaining finding pertains to inaccurate census data used in actuarial valuations. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2022, 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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