



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 Years 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
Category 1:	0	0	0	2019		23-1*	
Category 2:	0	1	1	* Finding 2019-002 was reported in the Department's State Compliance Examination for the two years ended June 30, 2019.			
Category 3:	0	0	0				
TOTAL	0	1	1				
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, 2023. A digest for the Department's Compliance Examination for the two years ended June 30, 2023 will be released at a later date.

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.

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, 2023**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2023	FY 2022
REVENUES		
Interest and other investment income	\$ 181	\$ 19
Other	11,330	3,438
Federal operating revenues.....	8,570	4,490
Total revenues.....	<u>20,081</u>	<u>7,947</u>
EXPENDITURES		
General government.....	185,032	178,911
Education	888,027	888,225
Employment and economic development.....	31,067	31,680
Health and social services.....	373,773	375,081
Transportation	140,337	116,594
Public protection and justice.....	389,599	390,139
Environment and business regulation	67,799	68,250
Debt service - principal.....	1	2
Capital outlays.....	-	3
Total expenditures.....	<u>2,075,635</u>	<u>2,048,885</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	2,024,161	2,990,235
Lapsed appropriations.....	(2,836)	(2,125)
Receipts collected and transmitted to State Treasury	(38,521)	(2,103)
Amount of SAMS transfers-out.....	14	218,000
Proceeds from lease financing	-	3
Transfers-in.....	29,614	-
Transfers-out.....	-	(30,000)
Total other sources (uses).....	<u>2,012,432</u>	<u>3,174,010</u>
Net change in fund balance.....	(43,122)	1,133,072
Fund balance (deficit) July 1.....	(35,362)	(1,168,434)
Fund balance (deficit) June 30.....	<u>\$ (78,484)</u>	<u>\$ (35,362)</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2023	June 30, 2022
ASSETS		
Unexpended appropriations.....	\$ 27,130	\$ 23,973
Cash equity with State Treasurer.....	29,459	17,553
Cash and cash equivalents.....	2,363	4,732
Other receivables, net.....	85	73
Due from other Department funds.....	519	3,423
Due from other State funds.....	60	-
Securities lending collateral equity of State Treasurer.....	2,614	1,202
Total assets.....	<u>\$ 62,230</u>	<u>\$ 50,956</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 25,039	\$ 17,793
Intergovernmental payables.....	50	47
Due to other Department funds.....	111,653	66,293
Due to other State funds.....	254	586
Due to State of Illinois component units.....	264	266
Matured portion of long-term obligations.....	772	78
Obligations under securities lending of State Treasurer.....	2,614	1,202
Deferred inflows of resources - unavailable revenue.....	68	53
Total liabilities and deferred inflows of resources.....	<u>140,714</u>	<u>86,318</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	(78,484)	(35,362)
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 62,230</u>	<u>\$ 50,956</u>
AGENCY DIRECTOR		
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 AN 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 68-69) **This finding has been reported since 2019.**

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 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 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

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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