



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, 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	2019		24-1*	
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: 1							

INTRODUCTION

This digest covers the Department of Central Management Services' (Department) Financial Audit as of and for 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.

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, 2024**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2024	FY 2023
REVENUES		
Interest and other investment income	\$ 243	\$ 181
Other	3,832	11,330
Federal operating revenues.....	4,548	8,570
Total revenues.....	8,623	20,081
EXPENDITURES		
General government.....	193,376	185,032
Education	901,825	888,027
Employment and economic development.....	33,715	31,067
Health and social services.....	401,551	373,773
Transportation	173,944	140,337
Public protection and justice.....	394,283	389,599
Environment and business regulation	70,862	67,799
Debt service - principal.....	-	1
Capital outlays.....	5,927	-
Total expenditures.....	2,175,483	2,075,635
OTHER SOURCES (USES)		
Appropriations from State resources.....	2,250,977	2,024,161
Lapsed appropriations.....	(2,436)	(2,836)
Receipts collected and transmitted to State Treasury	(2,065)	(38,521)
Amount of SAMS transfers-out.....	-	14
Transfers-in.....	-	29,614
Transfers-out.....	(5,500)	-
Total other sources (uses).....	2,240,976	2,012,432
Net change in fund balance.....	74,116	(43,122)
Fund balance (deficit) July 1.....	(78,484)	(35,362)
Fund balance (deficit) June 30.....	\$ (4,368)	\$ (78,484)
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)	June 30, 2024	June 30, 2023
ASSETS		
Unexpended appropriations.....	\$ 21,360	\$ 27,130
Cash equity with State Treasurer.....	32,562	29,459
Cash and cash equivalents.....	2,392	2,363
Other receivables, net.....	132	85
Due from other Department funds.....	346	519
Due from other State funds.....	-	60
Securities lending collateral equity of State Treasurer.....	2,333	2,614
Total assets.....	\$ 59,125	\$ 62,230
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 34,324	\$ 25,039
Intergovernmental payables.....	68	50
Due to other State fiduciary funds.....	12	-
Due to other Department funds.....	25,961	111,653
Due to other State funds.....	340	254
Due to State of Illinois component units.....	216	264
Matured portion of long-term obligations.....	207	772
Obligations under securities lending of State Treasurer.....	2,333	2,614
Deferred inflows of resources - unavailable revenue.....	32	68
Total liabilities and deferred inflows of resources.....	63,493	140,714
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	(4,368)	(78,484)
Total liabilities, deferred inflows of resources and fund balance (deficit).....	\$ 59,125	\$ 62,230
AGENCY DIRECTOR		
During Audit Period: Raven DeVaughn (Acting) (7/21/23 - 3/6/24) Raven DeVaughn (3/7/27 - 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 63-64). **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 (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 OPINIONS

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2024, are fairly stated in all material respects.

This financial audit was conducted by Sikich 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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