



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**  
**LOCAL GOVERNMENT HEALTH INSURANCE RESERVE FUND**

**Financial Audit**  
**For the Year Ended June 30, 2017**

**Release Date: February 22, 2018**

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>	<b>No Repeat Findings</b>			
<b>Category 2:</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>Category 3:</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>				
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 0</b>							

**INTRODUCTION**

This digest covers our financial audit of the Local Government Health Insurance Reserve Fund for the year ended June 30, 2017.

**SYNOPSIS**

- (17-1) The Department’s year-end financial reporting to the Office of the State Comptroller contained errors in the determination of certain year-end account balances.

- 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.

{Financial information is summarized on next page.}

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
LOCAL GOVERNMENT HEALTH INSURANCE RESERVE FUND  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (expressed in thousands)</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
<b>OPERATING REVENUES</b>		
Charges for sales and services.....	\$ 44,053	\$ 40,999
<b>OPERATING EXPENSES</b>		
Benefit payments and refunds.....	42,605	40,732
General and administrative.....	1,299	1,018
Total operating expenses.....	<u>43,904</u>	<u>41,750</u>
Operating income (loss).....	149	(751)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income.....	51	20
Interest expense.....	(35)	(22)
Other revenues.....	<u>71</u>	<u>52</u>
Changes in net position.....	236	(701)
Net Position, July 1,.....	<u>1,316</u>	<u>2,017</u>
<b>NET POSITION, JUNE 30.....</b>	<u><u>\$ 1,552</u></u>	<u><u>\$ 1,316</u></u>

<b>PARTICIPANT INFORMATION</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
Number of local governmental entities participating.....	276	294
Approximate number of employees covered.....	2,731	2,937
Approximate number of dependents covered.....	2,059	2,216
Approximate number of retirees covered.....	216	201

<b>AGENCY DIRECTOR</b>
During Examination Period: Michael Hoffman - Acting
Currently: Michael Hoffman - Acting

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**WEAKNESSES IN INTERNAL CONTROL OVER  
FINANCIAL REPORTING**

The Department's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the State Comptroller contained errors in the determination of certain year-end account balances for the Local Government Health Insurance Reserve Fund.

During the audit of the June 30, 2017 financial statements we noted the following errors for which the Department revised their financial statements:

**Accrued liabilities understated by  
\$247 thousand**

- The Department understated accrued liabilities in the Local Government Health Insurance Reserve Fund by \$247 thousand due to the exclusion of certain prescription drug benefit liabilities.

**Accounts receivable overstated by  
\$296 thousand**

- The Department overstated accounts receivable in the Local Government Health Insurance Reserve Fund by \$296 thousand due to including a deposit in transit in accounts receivable and cash. It should not have been included in accounts receivable. (Finding 1, pages 20-21)

We recommended the Department implement procedures and cross-training measures throughout the Department to ensure required financial information is submitted to those responsible for financial reporting in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure adequate and reliable financial information is prepared and submitted to the Office of the State Comptroller. These procedures should address all elements of the Department's financial reporting process including, but not limited to, accruals for liabilities and receivables and supervisory review of supporting spreadsheets for data accumulation.

**Department agrees with auditors**

The Department agreed with the finding and stated they will strive to implement cross-training measures and financial reporting procedures to ensure timeliness, accuracy, reliability and reasonableness of data utilized to perform financial reporting. Additionally, the Department stated they will continue to work diligently to fill key positions to ensure an independent, internal analytical review of calculations is documented and completed timely.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Department of Central Management Services, Local Government Health Insurance Reserve Fund as of and for the year ended June 30, 2017, 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

FJM:skm