



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**  
**TEACHER HEALTH INSURANCE SECURITY 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	
<b>Category 1:</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>No Repeat Findings</b>
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</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 Teacher Health Insurance Security Fund for the year ended June 30, 2017. At June 30, 2017 the Net Position reflected a deficit of \$45,029,000. Further, the Schedule of Changes in Net OPEB Liability reflects a Net OPEB Liability of \$25,949,568,385.

**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  
TEACHER HEALTH INSURANCE SECURITY FUND  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (expressed in thousands)</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
<b>Additions</b>		
Contributions		
Employer.....	\$ 100,763	\$ 86,146
State.....	109,703	108,259
Plan Members		
Actives.....	111,734	115,355
Retirees.....	-	124,788
Federal government Medicare Part D.....	2,053	1,838
Consolidated Omnibus Budget Reconciliation Act.....	46	87
Total contributions.....	<u>324,299</u>	<u>436,473</u>
Interest income.....	357	174
Total additions.....	<u>324,656</u>	<u>436,647</u>
<b>Deductions</b>		
Benefit payments and refunds.....	296,480	420,458
General and administrative.....	13,790	9,332
Total deductions.....	<u>310,270</u>	<u>429,790</u>
<b>Net additions (deductions).....</b>	<b>14,386</b>	<b>6,857</b>
<b>Unrestricted Net Position</b>		
Beginning of Year.....	(59,415)	(66,272)
<b>End of Year.....</b>	<b><u>\$ (45,029)</u></b>	<b><u>\$ (59,415)</u></b>

<b>SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)</b>	<b>June 30, 2017 *</b>
Total OPEB Liability- Beginning.....	\$ 27,276,388
Net Change in Total OPEB Liability.....	\$ (1,371,848)
Total OPEB Liability- Ending.....	\$ 25,904,540
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	-0.17%
* Note: GASB 74 was implemented for Fiscal Year 2017. Information is not available prior to 2017.	

<b>PARTICIPANT INFORMATION</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
Inactive plan members currently receiving benefit payments.....	64,030	74,523
Inactive plan members entitled to but not yet receiving benefit payments.....	39,649	38,472
Active plan members.....	154,176	154,076
Total.....	<u>257,855</u>	<u>267,071</u>
Number of participating employers.....	975	976
Number of nonemployer contributing entities.....	1	1

<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 Teacher Health Insurance Security 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  
\$2.032 million**

- The Department understated accrued liabilities in the Teacher Health Insurance Security Fund by \$2.032 million due to the exclusion of certain prescription drug benefit liabilities.

**Accounts receivable overstated by  
\$1.898 million**

- The Department overstated accounts receivable in the Teacher Health Insurance Security Fund by \$1.898 million due to including a deposit in transit in accounts receivable and cash. It should not have been included in accounts receivable. (Finding 1, pages 24-25)

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, Teacher Health Insurance Security 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**

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

FJM:skm