



**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

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For the Two Years Ended June 30, 2020**

AGENCY OFFICIALS

Director

(01/11/21 – Present)	Ms. Dana Popish Severinghaus, Acting
(12/12/20 – 01/10/21)	Ms. Shannon Whalen, Acting
(03/11/19 – 12/11/20)	Mr. Robert Muriel
(01/26/19 – 03/10/19)	Mr. Kevin Fry, Acting
(12/13/18 – 01/25/19)	Ms. Karin Zosel, Acting
(Through 12/12/18)	Ms. Jennifer Hammer

Chief Operating Officer

(06/01/19 – Present)	Mr. Kevin Fry
(02/16/19 – 05/31/19)	Vacant
(01/26/19 – 02/15/19)	Ms. Karin Zosel
(12/13/18 – 01/25/19)	Vacant
(Through 12/12/18)	Ms. Karin Zosel

General Counsel

(09/21/20 – Present)	Mr. Robert Planthold, Acting
(09/11/20 – 09/20/20)	Vacant
(06/10/19 – 09/10/20)	Ms. Spiridoula Mavrothalasitis
(03/01/19 – 06/09/19)	Mr. Fred Moore, Acting
(Through 02/28/19)	Ms. Paulette Dove

Chief Fiscal Officer

(09/03/19 – Present)	Mr. Bryan Martin
(03/16/19 – 09/02/19)	Vacant
(Through 03/15/19)	Mr. Rob Havens, Acting

Chief Internal Auditor

(03/16/20 – Present)	Mr. Kenneth Hovey
(Through 03/15/20)	Vacant

AGENCY OFFICES

The Department's offices are located at:

320 West Washington Street
Springfield, IL 62767

122 South Michigan Avenue, 19th Floor
Chicago, IL 60603



Illinois Department of Insurance

JB PRITZKER
Governor

DANA POPISH SEVERINGHAUS
Acting Director

March 3, 2021

Adelfia LLC
400 E. Randolph Street, Suite 700
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Insurance (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2020. Based on this evaluation, we assert that during the years ended June 30, 2019 and June 30, 2020, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Insurance

SIGNED ORIGINAL ON FILE

Dana Popish Severinghaus
Acting Director

SIGNED ORIGINAL ON FILE

Bryan Martin
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Robert A. Planthold
Acting General Counsel

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	Report	Report
Repeated Findings	11	11
Prior Recommendations Implemented or Not Repeated	7*	3
	5*	2

*Prior year finding 2018-008 was partially not repeated and partially repeated as 2020-008.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First</u> <u>Report</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)				
2020-001	11	New	Inadequate Controls over Accounts Receivable	Material Weakness and Material Noncompliance
2020-002	13	2018/2012	Failure to Perform Required Examination of Police and Firefighter Pension Funds	Material Weakness and Material Noncompliance
2020-003	15	2018/2018	Inadequate Controls over the Timeliness of Approving and Denying of Insurance and HMO Company Policy Forms	Significant Deficiency and Noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Report</u>	<u>Description</u>	<u>Finding Type</u>
2020-004	17	2018/2012	Failure to Procure and Implement a Fraud Prevention and Detection Information System	Significant Deficiency and Noncompliance
2020-005	19	2018/2014	Inadequate Controls over Reporting	Significant Deficiency and Noncompliance
2020-006	22	2018/2018	Inadequate Controls over State Property and Equipment	Significant Deficiency and Noncompliance
2020-007	24	2018/2018	Inadequate Controls over Voucher Processing	Significant Deficiency and Noncompliance
2020-008	26	2018/2018	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2020-009	29	New	Inadequate Controls over the Renewal of Public Adjuster Licenses	Significant Deficiency and Noncompliance
2020-010	31	New	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance
2020-011	33	New	Failure to Form a Task Force on Disability Income Insurance	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	35	2018	Overstocking of Postage Inventory
B	35	2018	Inadequate Internal Audit Function
C	35	2018	Failure to Assess Penalties and Interest to Insurance
D	35	2018	Inadequate Controls over Performance Evaluations
E	36	2018	Noncompliance with Federal Grant Agreements

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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 23, 2021.

Attending were:

Department of Insurance

Dana Poppish Severinghaus, Acting Director
Kevin Fry, Chief Operating Officer
Robert Planthold, Acting General Counsel
Mark Thielen, Assistant General Counsel
Fred Moore, Deputy General Counsel
Bryan Martin, Chief Fiscal Officer
Kenneth Hovey, Chief Internal Auditor
KC Stralka, Acting Chief of Staff
Greg Doerfler, Chief Information Officer
Shannon Whalen, Acting Chief Deputy Director of Product Lines
Eric Anderson, Chief Health Actuary
Ryan Gillespie, Deputy Director of Health Products
Daniel Rozkuszka, Acting Audit Manager – Public Pension Division
Michael Underwood, Agency Procurement Officer
Beth Duesterhaus, Human Resources Director

Office of the Auditor General

Janis Van Durme, Senior Audit Manager

Adelfia LLC

Stella Marie Santos, Partner
Gilda Priebe, Partner
Annabelle Abug, Principal
Karen Montejo, Supervisor

The responses to the recommendations were provided by Bryan Martin, Chief Fiscal Officer, in correspondences dated March 2, 2021 and March 3, 2021.



**INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND
ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Insurance (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2020. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2020.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2020-001 and 2020-002, the Department had not complied in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Specified Requirement D

As described in the accompanying Schedule of Findings as item 2020-001, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2020, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2020-003 through 2020-011.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2020-003 through 2020-011 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Department's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 7 and the Analysis of Operations Section are presented for purposes of additional analysis. Such information is the responsibility of the Department management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 7. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2018, in Schedules 3 through 6 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 7 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 3, 2021

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2020

2020-001. **FINDING** (Inadequate Controls over Accounts Receivable)

The Department of Insurance (the Department) did not have adequate controls over the reporting and collection of its accounts receivable.

During testing, we noted the following:

- The Department had accounts receivable of \$34,811,873 as of June 30, 2019 and \$29,120,996 as of June 30, 2020 (as reported in the Department’s internally generated Aged Unpaid Accounts Receivable Report). During our recalculation of the ending accounts receivable, considering the prior year’s ending balance, adding billings, and deducting collections for the year, we noted discrepancies of \$3,457,990 and \$2,546,635 for balances as of June 30, 2019 and 2020, respectively. The Department was unable to provide a reconciliation or an explanation for the discrepancies. Further, since the Department’s June 30th Quarterly Summary of Accounts Receivable Reports (C-97, C-98, and C-99 Forms) filed with the Illinois Office of the Comptroller were based on and agreed with the Aged Unpaid Accounts Receivable Report, we were not able to determine the accuracy of the reported accounts receivable balances as of June 30, 2019 and June 30, 2020.

The Statewide Accounting Management System (SAMS) Manual (Procedure 26.30.10) states the C-97, C-98, and C-99 Forms provide a summary of the status of the State’s receivables and related collections activity on a quarterly basis.

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Lastly, a good system of internal control includes ensuring receivables are properly and accurately recorded and maintained by the Department.

Department management indicated this problem was due to system inefficiencies and limitations when running the Aged Unpaid Accounts Receivable Reports.

- For 6 of 25 (24%) June 30, 2020 accounts receivable balances tested, (aged between 187 to 2,247 days) the Department had not placed them in the Comptroller’s Offset System or referred them to the Debt Collection Bureau of the Illinois Department of Revenue (Bureau). The six accounts receivable balances totaled \$392,987 at June 30, 2020.

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The SAMS Manual (Procedure 26.40.20) requires agencies to place all debts over \$250 and more than 90 days past due in the Comptroller’s Offset System.

Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 1200.60) requires State agencies refer to the Bureau all debt owed to the State, provided that the debt satisfies the requirements for referral of delinquent debt. The Code (74 Ill. Admin. Code 1200.50) defines “delinquent debt” as a debt to the State or any of its agencies that is owed by any person or entity, that is \$10 or more, and that is more than 90 days past due.

Department management stated the exceptions were due to oversight and lack of available staff to monitor delinquent receivables.

Failure to maintain accurate accounts receivable records and accurately report accounts receivable balances could lead to the failure of properly collecting amounts owed to the State, inaccuracies in statewide financial statement reporting, increases the risk that errors and irregularities could occur and not be detected by the Department on a timely basis, and represents noncompliance with the Act and the SAMS Manual. Additionally, failure to utilize available mediums of debt collection hinders oversight authorities’ ability to collect debts on behalf of State agencies, may result in a loss of State revenues, and represents noncompliance with State laws and regulations. (Finding Code No. 2020-001)

RECOMMENDATION

We recommend the Department strengthen its controls over accounts receivable by performing thorough reviews and reconciliations of the data it uses to generate the C-97, C-98, and C-99 Forms. Further, we recommend the Department have the staff already allocated to review and monitor past due accounts also refer them to the Comptroller’s Offset System or the Bureau as required by State laws, or hire additional staff to perform the required referrals.

DEPARTMENT RESPONSE

The Department agrees with the finding. Department staff continue to work with the Department of Innovation and Technology (DoIT) staff to implement changes to the Department’s accounting systems necessary to strengthen the accuracy and controls over the Department’s accounts receivable reporting. Also, Department staff will continue to add outstanding receivables to the Comptroller Offset System. The Department has also performed initial steps and started communication with the Debt Collection Bureau of the Illinois Department of Revenue regarding the process of placing outstanding accounts receivable into their collection system in addition to the Comptroller’s Offset System.

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For the Two Years Ended June 30, 2020

2020-002. **FINDING** (Failure to Perform Required Examination of Police and Firefighter Pension Funds)

The Department of Insurance's (Department) Public Pension Division did not perform required examinations of police and firefighters pension funds once every three years as required by the Illinois Pension Code (Code).

As of June 30, 2020, there were 657 Article 3 downstate police pension funds and Article 4 downstate firefighters pension funds which were required to be examined once every three years. As a result of testing, we noted the following:

- Seven (1%) pension funds have been examined three times since they were due for examination. Six pension funds were due for examination since 2004 and one pension fund was due for examination between 2007-2010. As a result, the Department did not complete five required examinations for each of the six funds and four required examinations for one fund.
- 255 (39%) pension funds have been examined on two occasions since they were due for examination. 177 pension funds were due for examination since 2004, 76 pension funds were due for examination between 2007-2010, and 2 pension funds were due for examination between 2013-2016. As a result, the Department did not complete five required examinations for each of the 177 funds and four required examinations for 76 funds. The remaining two pension funds were examined twice as required.
- 292 (44%) pension funds have been examined on one occasion since they were due for examination. One pension fund was due for examination since 2004, 119 pension funds were due for examination between 2007-2010, 150 pension funds were due for examination between 2013-2016, and 22 pension funds were due for examination between 2017-2020. As a result, the Department did not complete five required examinations for one fund, four required examinations for 119 funds, and two required examinations for 150 funds. The 22 pension funds were examined once as required.
- 102 (16%) pension funds were currently under examination as of June 30, 2020. One pension fund due for examination since 2004 is currently on its third examination and one pension fund formed since 2004 is on its fourth examination. The 99 pension funds were in the process of their second examination. Out of the 99 pension funds, 1 pension fund was due for examination since 2004, and 98 funds were due for examination between 2007-2010. As a result, the Department did not complete 5 required examinations for 3 funds, and 4 required examination for 98 funds. One new pension fund was due for examination in 2020.

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For the Two Years Ended June 30, 2020

- One (0.2%) pension fund has not been examined. The pension fund was formed on May 31, 2018, and therefore, the first examination was not due as of June 30, 2020.

The Code (40 ILCS 5/1A-104(a)) requires the Public Pension Division to make periodic examinations and investigation of all pension funds. Section 1A-104(b) of the Code further requires the Public Pension Division to examine or investigate each pension fund established under Article 3 (Police) or Article 4 (Firefighters) of the Code once every 3 years.

Department management stated the noncompliance with the three-year audit cycle requirements of the Code was due to the Public Pension Division operating with inadequate staff resources.

Failure to perform the required examination of a pension fund every three years has resulted in the Department not being able to fully monitor pension funds and represents noncompliance with the Code. (Finding Code No. 2020-002, 2018-001, 2016-002, 2014-002, 12-2)

RECOMMENDATION

We recommend the Department perform the pension fund examinations every three years as required by the Code.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department is taking the following corrective actions to address this finding: (1) use a risk-based examination system to narrow the focus of subsequent examinations; (2) use performance criteria of a fund to select those funds who are under performing for examination; (3) use the current review of the pension funds' annual statements to examine funds on the material data of benefits, contributions and investment performance and follow-up with further examination if necessary; and (4) due to the pension consolidation legislation, work with two super funds to undertake the examination of the funds "as appropriate" between the Department and the two super funds.

Additionally, the Department will work with the two super funds to review whether legislative changes related to the examination cycle are appropriate to clarify the role of the Department and the super funds during the now required pension consolidation transition period and beyond.

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2020-003. **FINDING** (Inadequate Controls over the Timeliness of Approving and Denying of Insurance and HMO Company Policy Forms)

The Department of Insurance (Department) did not maintain adequate controls over the timeliness of approving and denying insurance and Health Maintenance Organization (HMO) company policy forms.

Specifically, we noted the following:

- Four of 25 (16%) life, accident, and health policy forms filed by insurer companies were not approved or disapproved by the Department within the required 60-day period after the form's submission. The Department approved the policy from between 1 to 89 days late. In addition, one of the 4 life, accident, and health policy forms mentioned was granted an extension by the Director 20 days after the expiration of the initial 60-day period.

The Illinois Insurance Code (Code) (215 ILCS 5/143(1)) requires the Department's Director to approve or disapprove life, accident, and health policy forms within 60 days after submission, unless the Director extends the period by not more than an additional 30 days the period within which he is to approve or disapprove any such form by giving written notice to the insurer of such extension before expiration of the initial 60 days period.

- Five of 25 (20%) HMO group contracts, evidence of coverage, endorsement, rider, bylaw, or other policy forms were not approved or disapproved by the Department within the required 60-day period after the form's submission. The Department approved the policy forms between 4 to 115 days late.

The HMO Act (215 ILCS 125/4-13) requires the Department's Director to approve or disapprove an HMO group contract, evidence of coverage, endorsement, rider, bylaw, or other matter incorporated by reference or an application blank within 60 days after submission, unless the Director extends the period by not more than an additional 30 days.

Department management stated the Department's process for approving and denying the policy forms was updated and effective January of 2020. The exceptions noted above were all instances prior to the process update.

By not approving or disapproving life, accident, health insurance, or HMO policy forms in a timely manner as required by the Illinois Insurance Code or the HMO Act, insurance and HMO companies' distribution of their products to the market may be delayed and represents noncompliance with the State law. (Finding Code No. 2020-003, 2018-002)

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RECOMMENDATION

We recommend the Department comply with the statutory requirements of the Illinois Insurance Code and the HMO Act.

DEPARTMENT RESPONSE

The Department agrees with the finding that proper monitoring was not performed to ensure that filings were approved within the timelines prescribed by statute (215 ILCS 5/143 and 215 ILCS 125/4-13). A new Deputy Director of Health Products started with the Department in October 2019 and a new Assistant Deputy Director (ADD) of Health Compliance Unit was assigned in December 2019. Effective January 2020, the new ADD of the Health Compliance Unit has prioritized the need to meet statutory timeline requirements and has worked with Health Compliance Analyst staff to ensure the filings are approved/disapproved within these statutory timelines.

From January 1, 2020 through March 1, 2021, zero Accident & Health form filings have exceeded the approval/disapproval timelines prescribed in statute and the Department is currently in compliance.

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2020-004. **FINDING** (Failure to Procure and Implement a Fraud Prevention and Detection Information System)

The Department of Insurance's (Department) Workers' Compensation Fraud Unit (WCFU) did not procure and implement a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse during the examination period as required by the Worker's Compensation Act (Act). As of June 30, 2020, the number of days past compliance for the Department to implement the system was 3,103 days or 8 ½ years.

The Act (820 ILCS 305/25.5(e-5)) requires the WCFU to have procured and implement a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse on or before January 1, 2012.

Department management stated, as they did in the prior year, the Department does not collect the type of claims and medical data necessary to perform data mining or predictive modeling required by the Act. Additionally, this type of modeling is costly and would require significant resources. Department management indicated they will be pursuing legislative change or repeal of the statute during the Fiscal Year 2021 Spring legislative session.

Failure to procure and implement the advanced analytics system is noncompliance with the Act and hinders the Department's ability in the detection and prevention of fraud, waste, and abuse. (Finding Code No. 2020-004, 2018-006, 2016-001, 2014-001, 12-1)

RECOMMENDATION

We recommend the Department either procure and implement a system utilizing advanced analytics or seek legislative remedy.

DEPARTMENT RESPONSE

The Department agrees with the finding. However, the Department has made extensive efforts to comply with this mandate, including the following actions:

- Issuing a Request for Information (RFI) in early March 2012 for the purpose of gathering information about a system using advanced analytics including predictive modeling, data mining, social network analysis and scoring algorithms. Responses were not helpful to the Department in procuring such a system.

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- A 2015 analysis led the Department to conclude that the Department does not possess the type of data necessary to fuel such an advanced analytics system. Neither the Workers' Compensation Fraud Unit (WCFU) nor any other division of the Department collects the type of claims and medical data necessary to do effective data mining or predictive modeling required by the Act. This determination was confirmed by representatives from two large workers' compensation carriers who are at the forefront of using advanced analytics to combat fraud. Both companies, independent of one another, indicated that the information available to the Department is insufficient for purposes of predictive modeling.
- Met with Illinois Department of Employment Security (IDES) in 2016 in a further attempt to comply, which revealed that strict confidentiality laws prevented the possibility of obtaining needed information, continuing to prevent compliance with the mandate.
- Consulted with National Association of Insurance Commissioners (NAIC) regarding similar systems in other states but found that this mandate does not exist in other NAIC member states or jurisdictions.

Lastly, there is currently no appropriation for building and maintaining the proposed system.

Therefore, the Department has decided to seek to repeal 820 ILCS 305/25.5(e-5) for the reasons stated above. The Department believes the State would be better served by hiring additional WCFU investigators to investigate actual or suspected fraud. The Department introduced legislation for the Spring 2021 Session to repeal 820 ILCS 305/25.5(e-5).

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DEPARTMENT OF INSURANCE
SCHEDULE OF FINDINGS – STATE COMPLIANCE
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2020-005. **FINDING** (Inadequate Controls over Reporting)

The Department of Insurance (Department) did not accurately file statutorily required reports or did not file them timely.

Specifically, we noted the following:

- The Department reported information on its Fiscal Year 2018 Agency Workforce Report (Report) which did not agree to the Report's supporting documentation. The data and statistical percentages for 3 of 16 (19%) employee category groups presented in the Fiscal Year 2018 Report did not agree with the source documents.

During the prior examination, we noted the Department did not accurately report information on its Fiscal Years 2016 and 2017 Reports. The Department failed to submit the corrected Reports within 30 days after the release of the Department's prior audit by the Auditor General.

The State Employment Records Act (5 ILCS 410/15) requires State agencies to collect and maintain information and publish reports on its work force, including the number and statistical percentage of minorities, women, and persons with physical disabilities employed as professional employees, among others.

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires a State agency that has materially failed to comply with the requirements of the State Employment Records Act, within 30 days after release of the audit by the Auditor General, shall prepare and file with the Governor and the Office of the Secretary of State corrected reports covering the periods affected by the noncompliance.

- The Department did not report its activities in implementing the 2019 Employment Plan Survey (employment data as of June 30, 2018) regarding the State Hispanic Employment Plan, the State Asian-American Employment Plan, and the Native American Employment Plan to the Department of Central Management Services Department (CMS) to include the information in its report to the General Assembly.

The Civil Administrative Code of Illinois (20 ILCS 405/405-125) requires State agencies to report annually to CMS and the Department of Human Rights, in a format prescribed by the CMS, all of the agency's activities in implementing the State Hispanic Employment Plan, the State Asian-American Employment Plan, and the Native American Employment Plan.

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- The Department submitted the Annual Inventory Certification for Fiscal Year 2019 to CMS on May 16, 2019 (15 days late).

The Illinois Administrative Code (44 Ill. Admin Code 5010.460) requires all agencies to make an annual physical inventory of State equipment in their possession and provide CMS, on an annual basis, a listing of all equipment items with an acquisition cost of \$1,000 or more, net of depreciation, and equipment that is subject to theft. The CMS communication to the Department required a filing due date of May 1, 2019.

- For 1 of 3 (33%) published General Assembly reports tested, the Department did not provide copies to the State Library and State Government Report Distribution Center for the General Assembly.

The State Library Act (15 ILCS 320/21(a)) requires all State agencies to provide and deposit with the Illinois State Library sufficient copies of all publications issued by such State agencies for its collection and for exchange purposes. In addition, the State Library Act (15 ILCS 320/7(t)) creates and maintains a State Government Report Distribution Center for the General Assembly to receive all reports in all formats available required by law or resolution to be filed with the General Assembly.

- The Department submitted the Fiscal Year 2020 (first semi-annual report) Credit Card Abuse Report to CMS on February 26, 2020 (56 days late).

The Illinois Administrative Code (44 Ill. Admin Code 5040.540(j)) requires CMS to establish twice annual reporting criteria, including card abuse reporting, which require agencies to report the results of exceptions review to CMS on July 1 and January 1 of each year, in the form specified by CMS.

Department management stated the exceptions noted were due to employee turnover.

Failure to submit statutorily required reports accurately and in a timely manner prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions. (Finding Code No. 2020-005, 2018-007, 2016-004, 2014-006)

RECOMMENDATION

We recommend the Department strengthen its controls over reporting to ensure statutorily required reports are prepared, include accurate information, and are submitted timely as required by State laws. Further, we recommend the Department submit revised reports to applicable parties when required to do so.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
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DEPARTMENT RESPONSE

Please note the following responses correspond with the above bullet points, respectively.

- Regarding the Agency Workforce Reports, the Department agrees with the finding. The Department has hired a new EEO/AA/ADA Officer who is being trained to avoid this finding recurring. Additionally, corrected reports will shortly be filed for 2016, 2017, and 2018.
- Regarding the Employment Plan Surveys, the Department agrees with the finding. The Department has hired a new EEO/AA/ADA Officer who is being trained to avoid this finding recurring.
- The Department agrees with the finding regarding the Annual Inventory Certification and will file the certification in a timely manner going forward.
- The Department is in the process of compiling an exhaustive list of the reports that are required to be submitted to the State Library and the State Government Report Distribution Center for the General Assembly. This list will be maintained by one individual within the Department who will have responsibility for ensuring completion of those reports in a timely manner, as well as ensuring that they are submitted to all the correct recipients.
- The Department will work to ensure that the semi-annual CMS Fleet Card Abuse Reporting is submitted to the Division of Vehicles in a timely manner.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
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2020-006. **FINDING** (Inadequate Controls over State Property and Equipment)

The Department of Insurance (Department) did not maintain adequate controls over its State property and equipment.

Specifically, we noted the following:

- Two of 40 (5%) equipment items (a projector and a labeling machine) totaling \$4,993 at original cost, which were considered no longer in use by the Department prior to our listing-to-floor testing, had not been transferred to the Department of Central Management Services (CMS).

The Illinois Administrative Code (Code) (44 Ill. Admin Code 5010.600) defines transferable equipment as State-owned equipment which is no longer needed and or useful to the agency currently in possession of it. Further, the Code (44 Ill. Admin Code 5010.620) requires all agencies to regularly survey their inventories for transferable equipment and report any such equipment to the Property Control Division of CMS.

Department management stated the unused and obsolete items were not transferred immediately as transfer of items has been done periodically so that multiple items can be transferred together which is more economical.

- The Department did not have a written process in place for the monitoring and tracking of obsolete and transferable equipment items.

The Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) states assets that are obsolete, damaged, or no longer used in operations should be identified by the Department and, if necessary, removed from the Department's asset records. The asset records should be reconciled to the results of the inventory and updated accordingly.

Department management stated they did have procedures for both the tracking of obsolete and transferable equipment; however these procedures were not formalized into written official procedures until after the examination period.

- One of 40 (3%) equipment items (an alarm panic button) with an original value of \$2,244, did not have any tag indicating its unique identification number.
- The Department has not adopted a written policy clearly delineating the categories of equipment considered subject to theft.

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The Code (44 Ill. Admin Code 5010.210) states agencies are responsible for marking each piece of State-owned equipment in their possession to indicate that it is the property of the State of Illinois. In addition, the Code states equipment with a value that is greater than the nominal value (i.e., \$1,000 net of depreciation) must be marked with a unique identification number to be assigned by the agency holding the property. The Code further states each agency is responsible for adopting policies clearly delineating categories of equipment considered to be subject to theft.

Department management stated the tag of the item was initially placed on the alarm panic button but, due to the location of the tag and passage of time, the mark faded away. Further, Department management stated they did have procedures for clearly delineating categories of equipment considered subject to theft; however, these procedures were not formalized into a written official procedures until after the examination period.

Failure to monitor obsolete and transferable property and not placing tags on State properties may result in inaccurate property control records and represents noncompliance with the State laws and regulations. Moreover, absence of a written policy on high-theft assets may result in limited monitoring of valuable equipment. (Finding Code No. 2020-006, 2018-009)

RECOMMENDATION

We recommend the Department strengthen its controls over State property and equipment to ensure compliance with State laws and regulations.

DEPARTMENT RESPONSE

The Department agrees and will work to ensure that unused assets are transferred to CMS Division of Surplus Property in a timely manner. The Department will formalize a written policy on high-theft assets in monitoring of valuable equipment.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
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2020-007. **FINDING** (Inadequate Controls over Voucher Processing)

The Department of Insurance (Department) did not maintain adequate controls over its voucher processing.

During our voucher testing, we noted the following:

- Eighteen of 105 (17%) vouchers tested, totaling \$482,214, were not approved within 30 days after the receipt of a proper bill. The vouchers were approved 4 to 106 days late.

The Illinois Administrative Code (Code) (74 Ill. Adm. Code 900.70) requires the Department to review each vendor's invoice and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the voucher in whole or in part within 30 days after the receipt of the bill.

- Two of 105 (2%) vouchers tested, totaling \$43,803, were paid beyond 90 days after receipt of a proper bill (3 and 43 days late). Total estimated unpaid interest of \$161 was not made to the vendors.

The State Prompt Payment Act (Act) (30 ILCS 540/3-2(1.05)) requires any bill approved for payment be paid within 90 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 90-day period, an interest penalty of 1% of any amount approved or unpaid shall be added for each month, or 0.033% of any amount approved and unpaid for each day, after the end of this 90-day period, until final payment is made.

- For 2 of 25 (8%) travel vouchers tested, totaling \$3,197, out-of-state travel was not requested as required by Department policy. One travel request form was submitted 6 days before commencement of travel (54 days late) and the other travel request form was submitted 19 days after the travel (79 days late).

Department Policy Manual (Chapter 5 Section 1) requires that for out-of-state travels, employees must submit a Request for Travel form a minimum of 60 days in advance of travel.

Department management stated the issues noted were due to employee oversight.

Untimely approval of vouchers and out-of-state travel not requested in advance represents noncompliance with Department procedures and State regulations. Moreover, failure to pay expenditures timely may result in unnecessary interest charges. (Finding Code No. 2020-007, 2018-011)

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RECOMMENDATION

We recommend the Department strengthen its controls over voucher processing to ensure compliance with State regulations and its own travel procedures.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department will continue to strive to have all vouchers and travel requests processed/approved within the required time frames.

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2020-008. **FINDING** (Inadequate Controls over Personal Services)

The Department of Insurance (Department) did not maintain adequate controls over employee personnel files, time reporting, employee training, and employee performance evaluations.

- For 4 of 25 (16%) employees tested, the Employment Eligibility Verification Forms (Form I-9) were not included in the employee personnel files.

The Code of Federal Regulation (CFR) (8 CFR § 274a.2), Verification of Identity and Employment Authorization, designates the Employment Eligibility Verification Form I-9 (Form I-9) as the means of documenting this verification. In addition, the CFR requires employers to retain a copy of the original signed version of Form I-9 for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later.

Department management stated although they are Department employees, the hiring/new employee orientation process was not performed by the Department when they were hired into the Department. Another State agency compiled the documents and stored the personnel files on behalf of the Department. The hiring process that collected the I-9 forms was not the responsibility of the Department at the time of hire.

Failure to maintain a copy of the signed Form I-9 is a violation of the CFR requirements and may result in potential employment issues.

- In our detail testing of 25 Department employees, we noted:
 - Three (12%) employees did not have their Time Use Authorization Form approved by the supervisor prior to vacation leave for a total 57 hours.
 - One (4%) employee did not have an Overtime Pre-Approval Request approved by the supervisor prior to the overtime hours worked for a total of 5 hours.

The Department's Policy Manual Chapter 2, Section 25 requires an employee to request approval of the use of leave on the Time Use Authorization Form reasonably in advance of the time it will be used and in approving time, the supervisor shall consider both the employee's preference and the operating needs of the division. In addition, Section 5 requires employees to complete and sign the Overtime Form in advance, and the employee's immediate supervisor must review and approve the employee's request in advance of the of the time to be worked.

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Department management stated leave and overtime requests were not approved in advance due to oversight.

Failure to ensure leave and overtime requests are approved in advance undermines accountability controls and may result in unnecessary personal services expenditures.

- In our review of trainings completed during the examination period, we noted 2 of 25 (8%) employees tested did not complete the annual sexual harassment prevention training for Fiscal Year 2019. In addition, 1 of 25 (4%) employees tested did not complete the Fiscal Year 2020 Department of Innovation and Technology (DoIT) cybersecurity training. The Department failed to provide support if the training has been completed prior to the end of our fieldwork.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10.5(a)) requires each officer, member, and employee to complete, at least annually, a sexual harassment training program.

The Data Security on Computers Act (20 ILCS 450/25(b)) states every employee shall annually undergo training by DoIT concerning cybersecurity. DoIT may, in its discretion, make the training an online course which shall include, but need not be limited to, detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

Department management stated exceptions on training were due to employee oversight.

Failure to provide the required training to employees is noncompliance with the Acts. In addition, the Department's information might be compromised as employees are not informed of the proper handling of confidential data and appropriate responses to data breaches.

- In our testing of 35 performance evaluations for 25 Department employees, we noted 14 (40%) performance evaluations were not completed timely by the Department. The employee evaluations were completed between 13 to 287 days late. We considered evaluations performed over 30 days after the end of the evaluation period to be untimely.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270) requires an evaluation of employee performance prepared by the Department not less often than annually, or in the case of an employee serving a six-month probationary period, the Department is required to prepare and submit two evaluations, one at the end of the third month of the employee's probationary period and another 15

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days before the conclusion thereof. In addition, prudent business practices require employee performance evaluations to be performed to communicate to employees the strengths and deficiencies in meeting their job responsibilities.

Department management stated the late evaluations were due to changes in staffing and competing priorities.

Employee performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Employee performance evaluations serve as a foundation and documentation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvement and current year's performance goals and objectives may not be identified and communicated in a timely manner. (Finding Code No. 2020-008, 2018-008)

RECOMMENDATION

We recommend the Department strengthen its internal controls to enforce its policies concerning prior approval and documentation of employee vacation and overtime, ensuring all employees complete the required training, and maintaining documentation as required by laws and regulations. Further, we recommend the Department evaluate and strengthen its procedures for monitoring performance evaluations to ensure performance evaluations are completed timely.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department will strengthen our internal controls to enforce policies governing prior approval and documentation of employee vacation and overtime; will monitor and track mandatory training to ensure all employees complete the required training courses; and will maintain documentation as required by laws and regulations. The Department will also strengthen our procedures for monitoring performance evaluations to ensure performance evaluations are completed on time.

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For the Two Years Ended June 30, 2020

2020-009. **FINDING** (Inadequate Controls over the Renewal of Public Adjuster Licenses)

The Department of Insurance (Department) did not fully comply with certain requirements of the Public Adjusters Law contained within the Illinois Insurance Code.

A public adjuster is an independent insurance professional that a policyholder may hire to help settle an insurance claim on his or her behalf. Insurance companies provide an adjuster at no charge to the policyholder, while a public adjuster has no relationship with the applicable insurance company, but will charge a fee for his or her services.

During testing of 25 public adjuster resident renewal license applications received by the Department during the examination period, we noted the following exceptions:

- For five (20%) applications tested, the Department renewed the license of a licensee who had not met their continuing education (CE) requirements.
- For one (4%) application tested, the Department was unable to provide the supporting application for the license renewal.

The Illinois Administrative Code (50 Ill. Admin. Code 3118.65) requires each public adjuster to complete 24 hours of CE prior to requesting a renewal of the public adjuster license (including 3 hours of classroom ethics instruction).

The Public Adjusters Law (215 ILCS 5/1545(a)) states persons who have met the requirements of this Article shall be issued a public adjuster license.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper records of the decisions of the Department to furnish information to protect the legal and financial rights of the State and person directly affected by the Department's activities.

Department management stated the exceptions noted were due to oversight.

By not complying with the requirements of the Public Adjusters Law, license and renewal license of public adjusters maybe granted to individuals and entities that do not meet the standards, criteria, and requirements needed to be a licensed public adjuster. (Finding Code No. 2020-009)

RECOMMENDATION

We recommend the Department comply with the statutory requirements of the Public Adjusters Law and maintain all documentation supporting its compliance.

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For the Two Years Ended June 30, 2020

DEPARTMENT RESPONSE

The Department agrees and has taken corrective measures. The Department implemented an operating system to verify continuing education (CE) compliance and determine if a penalty fee is due before allowing renewal. Department staff have been trained to verify CE targets and CE compliance dates. Department employees must verify CE compliance before advancing to a renewal page for processing.

The Department is working closely with the National Association of Insurance Commissioners (NAIC) to resolve this system issue. In addition, the Department vendor has corrected the program to place in pending any application that is not CE compliant. The Department is in the process of placing all renewals online with the vendor. The online renewal system would eliminate the possibility of clerical error. The timeline for completing the online renewal is dependent on the vendor building enhancements. This process has been delayed due to the COVID-19 pandemic. The vendor's future online system would eliminate the possibilities of applicant renewals unless there is CE compliance.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2020

2020-010. **FINDING** (Inadequate Controls over State Vehicles)

The Department of Insurance (Department) did not have adequate controls over its State vehicles during the examination period.

The Department follows the Department of Central Management System (CMS) requirements pertaining to inspections and maintenance. During our testing of the maintenance records for two State vehicles, we noted the following:

- Both (100%) State vehicles did not undergo periodic oil change at mileage or time intervals required by CMS. Department records showed the State vehicles were driven 89 to 3,558 miles more than allowed by the maintenance policy before the required oil change maintenance was performed.

CMS Vehicle Usage Program requires an oil change every 3,000 miles or 12 months whichever comes first for vehicles aging 10 years or more.

- One of 2 (50%) State vehicles did not undergo tire rotation at the time interval required by CMS.

CMS Vehicle Usage Program requires a tire rotation after every other oil change.

- One of 2 (50%) State vehicles did not undergo an annual inspection in Fiscal Year 2019 as required by CMS. Department records showed the vehicle was brought in for inspection five months after the required annual inspection.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.410) requires agencies to have vehicles inspected by CMS or an authorized vendor at least once per year or as required by law and shall maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS that provide for proper care and maintenance of special use vehicles.

Department management stated State vehicles were not properly maintained due to several factors such as (1) shortage of vehicles assigned to the Department, (2) high frequency of usage by staff, (3) travel by staff to Chicago office and various other locations may extend maintenance intervals, as does ongoing investigation work by Worker' Compensation Fraud Unit investigators, and (4) severely extended turnaround times at CMS garage facilities, often measured in weeks or even months, also impede the Department's ability to meet exact maintenance intervals.

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For the Two Years Ended June 30, 2020

In addition, we noted the Department’s Vehicle Use Policy submitted to CMS did not include procedures regarding daily vehicle use logs and mileage recording.

The State Vehicle Use Act (Act) (30 ILCS 617/10(b)) requires the Department to draft a vehicle use policy to include procedures regarding daily vehicle use logs and mileage recording.

Department management stated while a requirement of daily vehicle usage and mileage logs by Department employees is already in place, the language outlining the procedures was inadvertently omitted from the Department Vehicle Use Policy previously submitted to CMS.

Failure to perform regular maintenance of State vehicles could result in more significant expenditures related to the repair or replacement of vehicles and represents noncompliance with the Code. Further, failure to include procedures regarding daily vehicle use logs and mileage recording from the Department’s Vehicle Use Policy results in noncompliance with the Act. (Finding Code No. 2020-010)

RECOMMENDATION

We recommend the Department strengthen its controls over State vehicles to ensure compliance with State laws and regulations.

DEPARTMENT RESPONSE

The Department agrees with the finding and will work to ensure that vehicle maintenance is performed as required by the State Vehicle Use Act (Act) (30 ILCS 617/10(b)). The Department will update the vehicle use policy to include procedures regarding daily vehicle use logs and mileage recording.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2020

2020-011. **FINDING** (Failure to Form a Task Force on Disability Income Insurance)

The Department of Insurance (Department) failed to form the Task Force on Disability Income Insurance (Task Force).

During the examination period, we noted the Task Force had not been formed as of June 30, 2020.

Further, our testing indicated there were only 2 of the 10 required members appointed within 90 days of August 9, 2019 (effective date of the Illinois Insurance Code (Code)). As of our testing date (October 1, 2020), there were a total of 4 members appointed.

The Illinois Insurance Code (215 ILCS 5/370c.2) requires the Department to form a task force to review the plans and policies for individual and group short-term and long-term disability income insurance issued and offered to individuals and employers in this State in order to examine the use of such insurance for behavioral health conditions. The task force is to be comprised of 10 members (6 members appointed by the Governor, 1 member appointed by the Speaker of the House of Representatives, 1 member appointed by the President of the Senate, 1 member appointed by the Minority Leader of the House of Representatives, and 1 member appointed by the Minority Leader of the Senate). Appointments were to be made 90 days after the effective date of this amendatory Act of the 101st General Assembly.

Department management stated the statute states the Department “shall form a task force” but it does not have the option nor the authority to make the appointments on behalf of the Governor, Speaker of the House, President of the Senate and Minority Leader of the House and Senate.

Failure to form the Task Force does not achieve the legislative intent of the Act to examine the use of such insurance for behavioral health conditions. Further, failure to appoint the required members (both in number and representation) limits the Task Force’s resources and perspective in providing recommendations on the economic feasibility and cost-effectiveness of requiring individual and group short-term and long-term disability income insurance to cover behavioral health conditions. (Finding Code No. 2020-011)

RECOMMENDATION

We recommend the Department either form a task force by following up on required appointments from the Governor, Speaker of the House, President of the Senate and Minority Leader of the House and Senate or seek legislative remedy.

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DEPARTMENT RESPONSE

The provision at 215 ILCS 5/370c.2(b) requiring the Department to “form” the Task Force relies on appointment authority outside Department authority and control. Per the statute, the sole responsibility for appointing members is provided to the Governor, the Speaker of the House of Representatives, the President of the Senate, the Minority Leader of the House of Representatives, and the Minority Leader of the Senate, respectively. The Department, unfortunately, has no ability to form the Task Force prior to the appointment of the members.

The 90-day deadline in 215 ILCS 5/370c.2(d) should not be construed to apply to the Department because it pertains to the appointments, over which the Department has no authority. However, the Department will continue to encourage the appropriate parties to make the appointments necessary to form the Task Force.

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DEPARTMENT OF INSURANCE
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2020

A. **FINDING** (Overstocking of Postage Inventory)

During the prior examination, the Department of Insurance (Department) did not comply with the Illinois Procurement Code regarding the maximum stocking level of postage inventory allowed.

During the current examination, our testing showed the Department maintained a reasonable minimum level of postage inventory during the examination period. (Finding Code No. 2018-003)

B. **FINDING** (Inadequate Internal Audit Function)

During the prior examination, the Department failed to adhere to provisions in the Fiscal Control and Internal Auditing Act and the Civil Administrative Code of Illinois. Specifically, the auditors noted the following:

- The Department's Director had not appointed an individual to fill the Department's chief internal auditor position.
- The Department and Department of Central Management System (CMS) had not obtained the Governor's approval for CMS to provide professional internal auditing services to the Department.
- The Department was unable to provide any sufficient and appropriate audit evidence related to costs of the Department's internal audit function.

During the current examination, we noted the Department hired a new Chief Internal Auditor on March 16, 2020 and terminated its agreement with CMS' Bureau of Internal Audit for internal auditing services on September 30, 2020. (Finding Code No. 2018-004)

C. **FINDING** (Failure to Assess Penalties and Interest to Insurance)

During the prior examination, the Department failed to assess penalties and interest to insurance companies who did not timely pay annual financial regulation fees or timely file required tax statements in accordance with the Illinois Insurance Code.

During the current examination, our sample testing indicated the Department properly assessed penalty and interest to insurance companies. (Finding Code No. 2018-005)

D. **FINDING** (Inadequate Controls over Performance Evaluations)

During the prior examination, the Department did not perform employee performance evaluations in a timely manner. Specifically, the auditors noted performance evaluations not completed and not timely completed.

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DEPARTMENT OF INSURANCE
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2020

During the current examination, our sample testing indicated the Department implemented internal controls to ensure all required performance evaluations were completed. However, we continued to note instances of performance evaluations not being completed timely. As such, this matter has been reported in Finding 2020-008. (Finding Code No. 2018-008)

E. **FINDING** (Noncompliance with Federal Grant Agreements)

During the prior examination, the Department did not fully comply with certain requirements of Federal Grants Agreements. Specifically, the auditors noted late submission of annual and quarterly reports and missing required disclosure and disclaimer statements in program pamphlets.

During the current examination, our testing showed annual and quarterly reports were submitted timely and the required disclosure and disclaimer statements in program pamphlets had been made. (Finding Code No. 2018-010)

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DEPARTMENT OF INSURANCE
SPECIAL TESTING REQUIRED BY THE ILLINOIS INSURANCE CODE
For the Two Years Ended June 30, 2020

In conjunction with the biennial compliance examination of the Department of Insurance (Department), the Auditor General is mandated by the Illinois Insurance Code (Code) (215 ILCS 5/370c.1(m)) to review the Department's compliance with Section 370c and Section 370c1. By performing our planned examination procedures as noted in the *Independent Accountant's Report on State Compliance, on internal Control over Compliance, and on Supplementary Information for State Compliance Purposes*, we obtained evidence about whether the Department complied with these provisions. Our testing did not identify any findings of noncompliance to include within this report in accordance with the provisions of the Code (215 ILCS 5/370c.1(m)).

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DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2020

For the Fifteen Months Ended September 30, 2020

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
<u>Public Act 101-0007</u>					
<u>APPROPRIATED FUNDS</u>					
<u>George Bailey Memorial Fund - 0409</u>					
Lump sums and other purposes - Operational costs & expenses	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes - Operational costs & expenses	\$ 950,000	\$ 345,385	\$ 17,662	\$ 363,047	\$ 586,953
<u>Illinois Department of Insurance Federal Trust Fund - 0673</u>					
Lump Sum - Market Stability - Federal Grant	\$ 284,200	\$ -	\$ -	\$ -	\$ 284,200
Lump Sum - Enforcement & Cons. Protection - Federal Grant	635,800	424,096	-	424,096	211,704
Total - Illinois Department of Insurance Federal Trust Fund - 0673	\$ 920,000	\$ 424,096	\$ -	\$ 424,096	\$ 495,904
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	\$ 1,000,000	\$ 591,344	\$ 27,466	\$ 618,810	\$ 381,190
Retirement - employer contribution	543,000	321,236	14,923	336,159	206,841
Social security	76,500	42,935	2,017	44,952	31,548
Group insurance	360,000	143,098	6,319	149,417	210,583
Contractual services	25,000	1,869	-	1,869	23,131
Travel	30,000	270	-	270	29,730
Commodities	2,500	-	-	-	2,500
Printing	2,500	-	-	-	2,500
Equipment	5,000	-	-	-	5,000
Telecommunications	2,500	-	-	-	2,500
Lump sums and other purposes - Operational costs & expenses	1,000,000	306,152	8,376	314,528	685,472
Total - Public Pension Regulation Trust Fund - 0546	\$ 3,047,000	\$ 1,406,904	\$ 59,101	\$ 1,466,005	\$ 1,580,995

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2020

For the Fifteen Months Ended September 30, 2020

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
<u>Insurance Producer Administration Fund - 0922</u>					
Personal services	\$ 8,300,000	\$ 6,083,402	\$ 303,432	\$ 6,386,834	\$ 1,913,166
Retirement - employer contribution	4,506,200	3,307,532	164,949	3,472,481	1,033,719
Social security	635,000	439,872	22,389	462,261	172,739
Group insurance	2,928,000	1,516,086	69,013	1,585,099	1,342,901
Contractual services	1,850,000	751,001	366,618	1,117,619	732,381
Travel	125,000	11,579	96	11,675	113,325
Commodities	17,500	10,725	2,692	13,417	4,083
Printing	17,500	8,030	-	8,030	9,470
Equipment	47,500	1,062	-	1,062	46,438
Electronic data processing	2,664,600	1,490,976	210,747	1,701,723	962,877
Telecommunications	230,000	86,784	48,248	135,032	94,968
Operation of automotive equipment	5,000	84	-	84	4,916
Lump sums and other purposes - Get Covered Illinois (GCI)	1,000,000	205,499	15,819	221,318	778,682
Lump sums and other purposes - Operational costs & expenses	750,000	395,043	236,138	631,181	118,819
Refunds	100,000	24,968	3,213	28,181	71,819
Total - Insurance Producer Administration Fund - 0922	<u>\$ 23,176,300</u>	<u>\$ 14,332,643</u>	<u>\$ 1,443,354</u>	<u>\$ 15,775,997</u>	<u>\$ 7,400,303</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2020

For the Fifteen Months Ended September 30, 2020

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	\$ 11,638,000	\$ 8,340,282	\$ 426,236	\$ 8,766,518	\$ 2,871,482
Retirement - employer contribution	6,318,500	4,537,194	231,832	4,769,026	1,549,474
Social security	890,300	594,469	31,306	625,775	264,525
Group insurance	3,288,000	1,871,984	88,556	1,960,540	1,327,460
Contractual services	1,850,000	1,320,731	282,051	1,602,782	247,218
Travel	150,000	43,207	4,583	47,790	102,210
Commodities	17,500	3,722	2,694	6,416	11,084
Printing	17,500	353	-	353	17,147
Equipment	47,500	1,552	1,362	2,914	44,586
Electronic data processing	1,417,800	356,496	50,146	406,642	1,011,158
Telecommunications	215,000	87,744	50,796	138,540	76,460
Operation of automotive equipment	5,000	398	29	427	4,573
Lump sums and other purposes - Operational costs & expenses	250,000	12,346	93,270	105,616	144,384
Refunds	49,000	120	-	120	48,880
Total - Insurance Financial Regulation Fund - 0997	<u>\$ 26,154,100</u>	<u>\$ 17,170,598</u>	<u>\$ 1,262,861</u>	<u>\$ 18,433,459</u>	<u>\$ 7,720,641</u>
Subtotal - Appropriated Funds	<u>\$ 54,347,400</u>	<u>\$ 33,679,626</u>	<u>\$ 2,782,978</u>	<u>\$ 36,462,604</u>	<u>\$ 17,884,796</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2020

For the Fifteen Months Ended September 30, 2020

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
<u>NONAPPROPRIATED FUNDS</u>					
<u>Insurance Premium Tax Refund Fund - 0378</u>					
Refunds		\$ 1,948,766	\$ -	\$ 1,948,766	
<u>Group Workers' Compensation Pool Insolvency Fund - 0739</u>					
Awards and Grants Per P.A. 91-0757		\$ 3,242	\$ -	\$ 3,242	
Subtotal - Nonappropriated Funds		\$ 1,952,008	\$ -	\$ 1,952,008	
GRAND TOTAL - ALL FUNDS		<u>\$ 35,631,634</u>	<u>\$ 2,782,978</u>	<u>\$ 38,414,612</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records, and have been reconciled to the State Comptroller's records as of September 30, 2020.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 15 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
<u>Public Act 100-0586</u>					
<u>APPROPRIATED FUNDS</u>					
<u>General Revenue - Fund 0001</u>					
Unpaid Wage Increase	\$ 1,073,300	\$ -	\$ 996,085	\$ 996,085	\$ 77,215
<u>George Bailey Memorial Fund - 0409</u>					
Lump sums and other purposes - Operational costs & expenses	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes - Operational costs & expenses	\$ 950,000	\$ 447,537	\$ 45,853	\$ 493,390	\$ 456,610
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	\$ 965,000	\$ 513,345	\$ 63,316	\$ 576,661	\$ 388,339
Retirement - employer contribution	498,000	265,181	32,688	297,869	200,131
Social security	73,800	36,993	4,756	41,749	32,051
Group insurance	360,000	145,746	5,921	151,667	208,333
Contractual services	25,000	1,111	-	1,111	23,889
Travel	30,000	2,748	-	2,748	27,252
Commodities	2,500	-	-	-	2,500
Printing	2,500	-	-	-	2,500
Equipment	5,000	390	-	390	4,610
Telecommunications	2,500	-	-	-	2,500
Lump sums and other purposes - Operational costs & expenses	1,000,000	329,338	48,425	377,763	622,237
Total - Public Pension Regulation Trust Fund - 0546	<u>\$ 2,964,300</u>	<u>\$ 1,294,852</u>	<u>\$ 155,106</u>	<u>\$ 1,449,958</u>	<u>\$ 1,514,342</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 15 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
<u>Insurance Producer Administration Fund - 0922</u>					
Personal services	\$ 8,000,000	\$ 6,164,412	\$ 1,127,937	\$ 7,292,349	\$ 707,651
Retirement - employer contribution	4,129,000	3,185,768	582,374	3,768,142	360,858
Social security	612,000	449,000	85,376	534,376	77,624
Group insurance	2,928,000	1,906,516	80,650	1,987,166	940,834
Contractual services	1,850,000	952,262	164,596	1,116,858	733,142
Travel	125,000	39,925	1,786	41,711	83,289
Commodities	17,500	5,014	-	5,014	12,486
Printing	17,500	6,789	50	6,839	10,661
Equipment	47,500	27,349	(116)	27,233	20,267
Electronic data processing	2,571,300	1,647,105	477,352	2,124,457	446,843
Telecommunications	230,000	100,892	18,969	119,861	110,139
Operation of automotive equipment	5,000	925	128	1,053	3,947
Lump sums and other purposes - Get Covered Illinois (GCI)	1,000,000	615,377	8,587	623,964	376,036
Lump sums and other purposes - Operational costs & expenses	750,000	422,536	136,898	559,434	190,566
Refunds	100,000	24,180	1,098	25,278	74,722
Total - Insurance Producer Administration Fund - 0922	<u>\$ 22,382,800</u>	<u>\$ 15,548,050</u>	<u>\$ 2,685,685</u>	<u>\$ 18,233,735</u>	<u>\$ 4,149,065</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 15 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	\$ 10,000,000	\$ 7,790,278	\$ 811,534	\$ 8,601,812	\$ 1,398,188
Retirement - employer contribution	5,161,000	4,027,876	419,223	4,447,099	713,901
Social security	765,000	564,830	60,472	625,302	139,698
Group insurance	2,856,000	1,959,709	90,545	2,050,254	805,746
Contractual services	1,850,000	1,079,878	294,889	1,374,767	475,233
Travel	150,000	42,226	14,220	56,446	93,554
Commodities	17,500	283	-	283	17,217
Printing	17,500	175	25	200	17,300
Equipment	47,500	4,263	884	5,147	42,353
Electronic data processing	1,391,300	424,884	134,751	559,635	831,665
Telecommunications	215,000	84,841	35,458	120,299	94,701
Operation of automotive equipment	5,000	270	-	270	4,730
Lump sums and other purposes - Operational costs & expenses	250,000	14,793	78,704	93,497	156,503
Refunds	49,000	8,750	39,850	48,600	400
Total - Insurance Financial Regulation Fund - 0997	<u>\$ 22,774,800</u>	<u>\$ 16,003,056</u>	<u>\$ 1,980,555</u>	<u>\$ 17,983,611</u>	<u>\$ 4,791,189</u>
Subtotal - Appropriated Funds	<u>\$ 50,245,200</u>	<u>\$ 33,293,495</u>	<u>\$ 5,863,284</u>	<u>\$ 39,156,779</u>	<u>\$ 11,088,421</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 15 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
<u>NONAPPROPRIATED FUNDS</u>					
<u>Insurance Premium Tax Refund Fund - 0378</u>					
Refunds		\$ 1,700,832	\$ -	\$ 1,700,832	
<u>Department of Insurance Federal Trust Fund - 0673</u>					
Enforcement & Consumer Protection Grant, 673-12		\$ 403,217.00	\$ 6,323.00	\$ 409,540.00	
<u>Group Workers' Compensation Pool Insolvency Fund - 0739</u>					
Awards and Grants Per P.A. 91-0757		8,222	1	8,223	
Subtotal - Nonappropriated Funds		\$ 2,112,271	\$ 6,324	\$ 2,118,595	
GRAND TOTAL - ALL FUNDS		\$ 35,405,766	\$ 5,869,608	\$ 41,275,374	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records, and have been reconciled to the State Comptroller's records as of October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

For the Fiscal Year Ended June 30,

	2020	2019	2018
<u>APPROPRIATED FUNDS</u>			
General Revenue Fund			
Operations - 0001			
<u>Expenditure Authority</u>	\$ -	\$ 1,073,300	\$ -
<u>Expenditures</u>			
Unpaid wage increase	-	996,085	-
Total Expenditures	\$ -	\$ 996,085	\$ -
<u>Balances Lapsed</u>	\$ -	\$ 77,215	\$ -
George Bailey Memorial Fund			
Operations Fund - 0409			
<u>Expenditure Authority</u>	\$ 100,000	\$ 100,000	\$ 100,000
<u>Expenditures</u>			
Lump sums and other purposes - Operational costs & expenses	-	-	-
Total Expenditures	\$ -	\$ -	\$ -
<u>Balances Lapsed</u>	\$ 100,000	\$ 100,000	\$ 100,000
Illinois Workers' Compensation Commission			
Operations Fund - 0534			
<u>Expenditure Authority</u>	\$ 950,000	\$ 950,000	\$ 950,000
<u>Expenditures</u>			
Lump sums and other purposes - Operational costs & expenses	363,047	493,390	694,432
Total Expenditures	\$ 363,047	\$ 493,390	\$ 694,432
<u>Balances Lapsed</u>	\$ 586,953	\$ 456,610	\$ 255,568
Illinois Department of Insurance Federal Trust Fund			
Federal Trust Fund - 0673			
<u>Expenditure Authority</u>	\$ 920,000	\$ -	\$ -
<u>Expenditures</u>			
Lump Sum - Enforcement & Cons. Protection - Federal Grant	424,096	-	-
Total Expenditures	\$ 424,096	\$ -	\$ -
<u>Balances Lapsed</u>	\$ 495,904	\$ -	\$ -

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES

For the Fiscal Year Ended June 30,

	2020	2019	2018
Public Pension Regulation Trust Fund - 0546			
<u>Expenditure Authority</u>	\$ 3,047,000	\$ 2,964,300	\$ 2,483,500
<u>Expenditures</u>			
Personal services	618,810	576,661	559,493
Retirement - employer contribution	336,159	297,869	265,093
Social security	44,952	41,749	40,453
Group insurance	149,417	151,667	145,833
Contractual services	1,869	1,111	11,292
Travel	270	2,748	4,288
Equipment	-	390	340
Lump sums and other purposes - Operational costs & expenses	314,528	377,763	375,159
Total Expenditures	<u>\$ 1,466,005</u>	<u>\$ 1,449,958</u>	<u>\$ 1,401,951</u>
<u>Balances Lapsed</u>	<u>\$ 1,580,995</u>	<u>\$ 1,514,342</u>	<u>\$ 1,081,549</u>
Insurance Producer Administration Fund - 0922			
<u>Expenditure Authority</u>	\$ 23,176,300	\$ 22,382,800	\$ 22,707,800
<u>Expenditures</u>			
Personal services	6,386,834	7,292,349	6,745,257
Retirement - employer contribution	3,472,481	3,768,142	3,192,327
Social security	462,261	534,376	490,302
Group insurance	1,585,099	1,987,166	1,930,412
Contractual services	1,117,619	1,116,858	994,078
Travel	11,675	41,711	23,665
Commodities	13,417	5,014	7,102
Printing	8,030	6,839	12,541
Equipment	1,062	27,233	15,963
Electronic data processing	1,701,723	2,124,457	2,053,915
Telecommunications	135,032	119,861	119,166
Operation of automotive equipment	84	1,053	754
Lump sums and other purposes - Get Covered Illinois (GCI)	221,318	623,964	664,322
Lump sums and other purposes - Operational costs & expenses	631,181	559,434	269,440
Refunds	28,181	25,278	40,106
Total Expenditures	<u>\$ 15,775,997</u>	<u>\$ 18,233,735</u>	<u>\$ 16,559,350</u>
<u>Balances Lapsed</u>	<u>\$ 7,400,303</u>	<u>\$ 4,149,065</u>	<u>\$ 6,148,450</u>

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

For the Fiscal Year Ended June 30,

	2020	2019	2018
Insurance Financial Regulation Fund - 0997			
<u>Expenditure Authority</u>	\$ 26,154,100	\$ 22,774,800	\$ 23,280,800
<u>Expenditures</u>			
Personal services	8,766,518	8,601,812	8,330,998
Retirement - employer contribution	4,769,026	4,447,099	3,950,733
Social security	625,775	625,302	607,058
Group insurance	1,960,540	2,050,254	1,928,408
Contractual services	1,602,782	1,374,767	1,309,914
Travel	47,790	56,446	30,398
Commodities	6,416	283	5,370
Printing	353	200	1,589
Equipment	2,914	5,147	12,311
Electronic data processing	406,642	559,635	849,263
Telecommunications	138,540	120,299	113,559
Operation of automotive equipment	427	270	1,952
Lump sums and other purposes - Operational costs & expenses	105,616	93,497	201,072
Refunds	120	48,600	11,499
Total Expenditures	<u>\$ 18,433,459</u>	<u>\$ 17,983,611</u>	<u>\$ 17,354,124</u>
<u>Balances Lapsed</u>	<u>\$ 7,720,641</u>	<u>\$ 4,791,189</u>	<u>\$ 5,926,676</u>
Total Appropriated Funds			
<u>Expenditure Authority</u>	\$ 54,347,400	\$ 50,245,200	\$ 49,522,100
<u>Expenditures</u>	\$ 36,462,604	\$ 39,156,779	\$ 36,009,857
<u>Balances Lapsed</u>	\$ 17,884,796	\$ 11,088,421	\$ 13,512,243
<u>NONAPPROPRIATED FUNDS</u>			
<u>Expenditures</u>			
Insurance Premium Tax Refund Fund - 0378	\$ 1,948,766	\$ 1,700,832	\$ 2,709,082
Department of Insurance Federal Trust Fund - 0673	-	409,540	456,790
Group Workers' Compensation Pool Insolvency Fund - 0739	3,242	8,223	565,458
TOTAL NONAPPROPRIATED FUNDS	<u>\$ 1,952,008</u>	<u>\$ 2,118,595</u>	<u>\$ 3,731,330</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
<u>Expenditures</u>	<u>\$ 38,414,612</u>	<u>\$ 41,275,374</u>	<u>\$ 39,741,187</u>
<u>State Officers' Salaries</u>			
<u>Expenditures for the Director</u>	\$ 159,071	\$ 144,592	\$ 135,081

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records, and have been reconciled to the State Comptroller's records as of September 30, 2020 and October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: The Department received appropriations during Fiscal Year 2020 from Public Act 101-0007. In addition, the Department received appropriations during Fiscal Year 2019 from Public Act 100-0586.

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF NET EXPENDITURES BY MAJOR ACTIVITY**

For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>EXPENDITURE STATISTICS</u>			
All State Treasury Funds			
Total Operations Expenditures	\$ 36,421,636	\$ 39,492,440	\$ 36,322,521
Percentage of Total Expenditures	94.81%	95.68%	91.40%
Personal Services	16,178,700	18,863,519	17,872,509
Other Payroll Costs	13,690,671	14,963,649	13,980,682
All Other Operating Expenditures	6,552,265	5,665,272	4,469,330
Total Awards and Grants Expenditures	\$ 3,242	\$ 8,223	\$ 565,458
Percentage of Total Expenditures	0.01%	0.02%	1.42%
Total Permanent Improvements Expenditures	\$ 12,667	-	-
Percentage of Total Expenditures	0.03%	-	-
Total Refund Expenditures	\$ 1,977,067	\$ 1,774,711	\$ 2,853,208
Percentage of Total Expenditures	5.15%	4.30%	7.18%
GRANT TOTAL - ALL EXPENDITURES	<u>\$ 38,414,612</u>	<u>\$ 41,275,374</u>	<u>\$ 39,741,187</u>

Note 1: Expenditures were obtained from Department's records and have been reconciled to the State Comptroller's records as of September 30, 2020, and October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
DEPOSITS INTO THE STATE TREASURY**

For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Revenue Fund - 0001			
Receipt Sources:			
Privilege insurance tax	\$ 196,252,171	\$ 183,142,462	\$ 182,403,090
Retaliatory tax	160,827,389	154,478,300	173,905,157
Surplus line tax	66,992,420	55,456,516	52,203,932
Independent procurement tax	1,121,123	3,561,661	12,528,084
Fines, penalties, interest	337,260	422,497	809,363
Miscellaneous	27	1,374	1,951
Total Receipts, per the Department's Records	<u>\$ 425,530,390</u>	<u>\$ 397,062,810</u>	<u>\$ 421,851,577</u>
Receipts, per the Department's Records	\$ 425,530,390	\$ 397,062,810	\$ 421,851,577
Deposits in Transit, Beginning of the Fiscal Year	1,752,354	871,189	10,485,928
Deposits in Transit, End of the Fiscal Year	65,842,109	1,752,354	871,189
Deposits, Recorded by the State Comptroller	<u>\$ 361,440,635</u>	<u>\$ 396,181,645</u>	<u>\$ 431,466,316</u>
Fire Prevention Fund - 0047			
Receipt Sources:			
Fire Marshal tax	\$ 31,414,570	\$ 29,519,607	\$ 28,106,953
Independent procurement tax	206,008	225,504	273,885
Total Receipts, per the Department's Records	<u>\$ 31,620,578</u>	<u>\$ 29,745,111</u>	<u>\$ 28,380,838</u>
Receipts, per the Department's Records	\$ 31,620,578	\$ 29,745,111	\$ 28,380,838
Deposits in Transit, Beginning of the Fiscal Year	81,484	2,238	2,575
Deposits in Transit, End of the Fiscal Year	116,579	81,484	2,238
Deposits, Recorded by the State Comptroller	<u>\$ 31,585,483</u>	<u>\$ 29,665,865</u>	<u>\$ 28,381,175</u>
Insurance Premium Tax Refund Fund - 0378			
Receipt Sources:			
Privilege insurance tax	\$ 2,579,000	\$ 1,887,000	\$ 2,649,000
Total Receipts, per the Department's Records	<u>\$ 2,579,000</u>	<u>\$ 1,887,000</u>	<u>\$ 2,649,000</u>
Receipts, per the Department's Records	\$ 2,579,000	\$ 1,887,000	\$ 2,649,000
Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 2,579,000</u>	<u>\$ 1,887,000</u>	<u>\$ 2,649,000</u>
Protest Fund - 0401			
Receipt Sources:			
Protest fees	\$ -	\$ -	\$ 6,214
Total Receipts, per the Department's Records	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214</u>
Receipts, per the Department's Records	\$ -	\$ -	\$ 6,214
Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Deposits in Transit, End of the Fiscal Year	-	-	-
Plus (Less) - Other Adjustments	-	6,559	-
Deposits, Recorded by the State Comptroller	<u>\$ -</u>	<u>\$ 6,559</u>	<u>\$ 6,214</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
DEPOSITS INTO THE STATE TREASURY

For the Fiscal Year Ended June 30,

	2020	2019	2018
Parity Advancement Fund - 0461			
Receipt Sources:			
Penalties	\$ 1,325,000	\$ 209,750	\$ -
Total Receipts, per the Department's Records	<u>\$ 1,325,000</u>	<u>\$ 209,750</u>	<u>\$ -</u>
Receipts, per the Department's Records	\$ 1,325,000	\$ 209,750	\$ -
Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 1,325,000</u>	<u>\$ 209,750</u>	<u>\$ -</u>
Illinois Workers' Compensation Commission Operations Fund - 0534			
Receipt Sources:			
Industrial Commission Surcharge	\$ 29,949,973	\$ 26,049,610	\$ 27,494,282
Total Receipts, per the Department's Records	<u>\$ 29,949,973</u>	<u>\$ 26,049,610</u>	<u>\$ 27,494,282</u>
Receipts, per the Department's Records	\$ 29,949,973	\$ 26,049,610	\$ 27,494,282
Deposits in Transit, Beginning of the Fiscal Year	-	250	-
Deposits in Transit, End of the Fiscal Year	5,015,542	-	250
Deposits, Recorded by the State Comptroller	<u>\$ 24,934,431</u>	<u>\$ 26,049,860</u>	<u>\$ 27,494,032</u>
Public Pension Regulation Trust Fund - 0546			
Receipt Sources:			
Pensions filing fees	\$ 2,390,514	\$ 2,325,210	\$ 2,116,210
Total Receipts, per the Department's Records	<u>\$ 2,390,514</u>	<u>\$ 2,325,210</u>	<u>\$ 2,116,210</u>
Receipts, per the Department's Records	\$ 2,390,514	\$ 2,325,210	\$ 2,116,210
Deposits in Transit, Beginning of the Fiscal Year	301,733	226,425	260,965
Deposits in Transit, End of the Fiscal Year	808,636	301,734	226,425
Plus (Less) - Other Adjustments	-	(6,559)	-
Deposits, Recorded by the State Comptroller	<u>\$ 1,883,611</u>	<u>\$ 2,243,342</u>	<u>\$ 2,150,750</u>
Federal Trust Fund - 0673			
Receipt Sources:			
Federal government grant	\$ 430,418	\$ 589,651	\$ 236,416
Total Receipts, per the Department's Records	<u>\$ 430,418</u>	<u>\$ 589,651</u>	<u>\$ 236,416</u>
Receipts, per the Department's Records	\$ 430,418	\$ 589,651	\$ 236,416
Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 430,418</u>	<u>\$ 589,651</u>	<u>\$ 236,416</u>

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
DEPOSITS INTO THE STATE TREASURY

For the Fiscal Year Ended June 30,

	2020	2019	2018
Group Workers' Compensation Pool Insolvency Fund - 0739			
Receipt Sources:			
Surety bonds	\$ 156,835	\$ 234,648	\$ 121,785
Total Receipts, per the Department's Records	<u>\$ 156,835</u>	<u>\$ 234,648</u>	<u>\$ 121,785</u>
Receipts, per the Department's Records	\$ 156,835	\$ 234,648	\$ 121,785
Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 156,835</u>	<u>\$ 234,648</u>	<u>\$ 121,785</u>
Receipt Sources:			
Insurance producer licenses and fees	\$ 31,447,335	\$ 30,264,937	\$ 30,249,312
Fines, penalties, interest	1,217,902	2,089,289	2,120,911
Insurance performance examination fees	496,113	332,766	574,707
Miscellaneous	464,948	467,982	488,029
Prior year refund	-	-	224
Total Receipts, per the Department's Records	<u>\$ 33,626,298</u>	<u>\$ 33,154,974</u>	<u>\$ 33,433,183</u>
Receipts, per the Department's Records	\$ 33,626,298	\$ 33,154,974	\$ 33,433,183
Deposits in Transit, Beginning of the Fiscal Year	825,223	650,683	1,533,784
Deposits in Transit, End of the Fiscal Year	1,481,180	825,223	650,683
Deposits, Recorded by the State Comptroller	<u>\$ 32,970,341</u>	<u>\$ 32,980,434</u>	<u>\$ 34,316,284</u>
Insurance Financial Regulation Fund - 0997			
Receipt Sources:			
Regulatory insurance licenses and fees	\$ 23,898,589	\$ 21,980,909	\$ 22,750,384
Fines, penalties, interest	108,940	127,755	69,629
Miscellaneous	16,532	33,683	48,739
Total Receipts, per the Department's Records	<u>\$ 24,024,061</u>	<u>\$ 22,142,347</u>	<u>\$ 22,868,752</u>
Receipts, per the Department's Records	\$ 24,024,061	\$ 22,142,347	\$ 22,868,752
Deposits in Transit, Beginning of the Fiscal Year	4,182,860	4,857,450	7,446,896
Deposits in Transit, End of the Fiscal Year	14,687,115	4,182,860	4,857,450
Deposits, Recorded by the State Comptroller	<u>\$ 13,519,806</u>	<u>\$ 22,816,937</u>	<u>\$ 25,458,198</u>
Grand Total - All Funds			
Receipts, per the Department's Records	\$ 551,633,067	\$ 513,401,111	\$ 539,158,257
Deposits in Transit, Beginning of the Fiscal Year	7,143,654	6,608,235	19,730,148
Deposits in Transit, End of the Fiscal Year	87,951,161	7,143,655	6,608,235
Deposits, Recorded by the State Comptroller	<u>\$ 470,825,560</u>	<u>\$ 512,865,691</u>	<u>\$ 552,280,170</u>

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF LOCALLY- HELD FUND RECEIPTS AND DISBURSEMENTS**

For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>LOCALLY-HELD FUND</u>			
Security Deposit Fund - 1109			
Balance, Beginning of the Fiscal Year	\$ 908,801,113	\$ 899,285,835	\$ 921,687,955
Receipts	287,079,434	373,078,518	225,857,579
Disbursements	<u>(275,546,128)</u>	<u>(363,563,240)</u>	<u>(248,259,699)</u>
Balance, Ending of the Fiscal Year	<u><u>\$ 920,334,419</u></u>	<u><u>\$ 908,801,113</u></u>	<u><u>\$ 899,285,835</u></u>

Note 1: These balances were obtained from the Department's records and have been reconciled to the Department's *Report of Receipts and Disbursements for Locally Held Funds* for the locally held fund submitted to the Office of State Comptroller as of June 30, 2020, and June 30, 2019.

Note 2: The Security Deposit Fund (Fund 1109) is a fiduciary fund created by the Illinois Insurance Code (215 ILCS 5/404.1). The Code required companies domiciled in the State of Illinois to make and maintain, with the Director of the Department of Insurance, a deposit of securities having a fair market value of specified amounts for the protection of all creditors, policyholders, and policy obligations of the company. The amount of deposit required is determined by the classification under which the company is organized and also as required to support certain classes of reserves.

Note 3: This schedule is presented on the cash basis of accounting.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2020

	Beginning Balance	Additions	Deletions	Net Transfers	Ending Balance
<u>FISCAL YEAR 2020</u>					
Property					
Equipment	\$ 415,636	\$ 63	\$ 12,472	\$ (62,287)	\$340,940
Total	<u>\$ 415,636</u>	<u>\$ -</u>	<u>\$ 12,472</u>	<u>\$ (62,287)</u>	<u>\$340,940</u>
Capital Leases					
Equipment	\$ 53,689	\$ 39,002	\$ 17,775	\$ -	\$ 74,916
Total	<u>\$ 53,689</u>	<u>\$ 39,002</u>	<u>\$ 17,775</u>	<u>\$ -</u>	<u>\$ 74,916</u>
<u>FISCAL YEAR 2019</u>					
Property					
Equipment	\$ 469,095	\$ 18,869	\$ 71,433	\$ (895)	\$415,636
Total	<u>\$ 469,095</u>	<u>\$ 18,869</u>	<u>\$ 71,433</u>	<u>\$ (895)</u>	<u>\$415,636</u>
Capital Leases					
Equipment	\$ 28,564	\$ 35,914	\$ 10,789	\$ -	\$ 53,689
Total	<u>\$ 28,564</u>	<u>\$ 35,914</u>	<u>\$ 10,789</u>	<u>\$ -</u>	<u>\$ 53,689</u>

Note 1: These balances were obtained from the Department's records and have been reconciled to the Department's quarterly *Agency Report of State Property* reports submitted to the Office of State Comptroller for the two years ended June 30, 2020.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Functions

The Department of Insurance's (Department) mission is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The Department's vision is to embrace efficiency and innovation to educate and protect Illinois consumers and to encourage a vital and robust Illinois insurance market.

The Department is charged with protecting the rights of Illinois citizens in their insurance transactions and monitoring the financial solvency of all regulated entities through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 through 5/1312), the Illinois Pension Code (40 ILCS 5/1-101 through 5/22-109) and related laws and regulations (Title 50, Illinois Administrative Code). The Department's divisions are described below:

Office of Legal Affairs Division

The Office of Legal Affairs Division provides a variety of legal services to the regulatory units of the Department. The Division arranges and conducts formal hearings and rulemaking process, drafts contracts, and advises other areas of the Department on legal issues which arise in the course of their work.

The Division staff normally does not represent the Department in matters before the courts but acts as liaison with the Attorney General's staff and outside counsel on litigation in which the Department has an interest. The Division responds to external inquiries from the Office of the Special Deputy Receiver, other agencies of government and the general public as needed.

Legislative Affairs Division

The Legislative Affairs Division performs the following duties within the Department:

- Develops the Department's legislative agenda;
- Coordinates the Department's comments on insurance legislation;
- Develops issue papers, fact sheets and bill reviews;
- Monitors legislation affecting the Department and the insurance industry;
- Negotiates controversial legislation with legislators, Governor's staff, and special interest groups; and
- Handles constituent inquiries referred by legislators, legislative staff, and the Governor's office.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Internal Audit Division

The Internal Audit Division's purpose within the Department is to provide an independent, objective assurance and consulting activity designed to add value and improve the Department's operations. It helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Division is an integral part of the Department because it provides an independent evaluation of the process through which the Department's overall goals and objectives are established, communicated, and monitored to ensure accountability. Through assurance and non-audit/consulting services, internal auditors determine whether fiscal, administrative and information system controls are functioning properly; policies, procedures, laws, and regulations are followed; established standards are met; resources are used efficiently; and the Department's objectives are being achieved.

In December 2017, the Department executed an Intergovernmental Agreement (IGA) with Department of Central Management Services' (CMS) Internal Audit Division to provide internal audit services, effective January 15, 2018. Kenneth Hovey was hired as the Chief Internal Auditor in March 2020 and duties have been transitioning from CMS Internal Audit Division to the Chief Internal Auditor since his hiring.

Finance Division

The Finance and Administration Division provides support services to the entire Department and is responsible for revenue collections, and fiscal functions, including budgeting.

Procurement and Administration Division

The Procurement and Administration Division provides support services to the entire Department and is responsible for Department procurement, record retention, and facilities oversight.

Human Resources Division

The Human Resources Division provides support services to the entire Department and is responsible for hiring, payroll, timekeeping, leaves of absence, FMLA compliance, performance evaluations, work schedules, group insurance, job descriptions, collective bargaining agreement compliance, union negotiations, and training. In addition, Human Resources manages personal services contracts, intern programs, and monitors compliance with State and federal labor/employment law. Human Resources also interacts with the EEO Officer and Ethics Officer to respond to reasonable accommodation requests, statutorily mandated reports, training requirements, and implementation of action plans.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
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(NOT EXAMINED)

Property and Casualty Division

The Property and Casualty Division handles compliance and consumer complaints related to property/casualty and worker's compensation. In accordance with the Illinois Insurance Code, the compliance section reviews policy and form filings, manuals of rules and rates filed for identified lines of insurance and oversees the operations of the Illinois Mine Subsidence Fund and the State's involuntary insurance markets (the Illinois Automobile Insurance Plan, the Illinois FAIR Plan Association, and the Illinois Workers Compensation Assigned Risk Plan). The consumer complaints section assists consumers with any questions or issues relating to property and casualty insurance. The consumer complaints section uses an electronic system for intake, tracking, and processing of all complaints.

Life and Annuities Division

The Life and Annuities Division handles compliance and consumer complaints related to life and annuity products. In accordance with the Illinois Insurance Code, the compliance section reviews relevant policy and form filings, as well as company advertising and sales materials. The consumer complaints section assists consumers with any questions or issues relating to life and annuity products and uses an electronic system for intake, tracking, and processing of all complaints.

Health Products Division

The Health Products Division includes compliance, health consumer complaints, external review, and the Office of Consumer Health Insurance (OCHI). In accordance with the Illinois Insurance Code, the health products compliance section reviews forms, policies, and rates filed by health insurance companies and health maintenance organizations. The compliance section also registers and oversees preferred provider administrators and utilization review organizations. The health consumer complaints team uses an electronic system for intake, tracking, and processing of all complaints. The health consumer complaints section handles all written consumer complaints and coordinates responses from the relevant company. The external review section processes all requests for expedited and regular reviews in compliance with the Illinois External Review Act, 215 ILCS 180/1 et seq. OCHI staff handle inquiries from consumers that may not rise to the level of a formal complaint – OCHI staff is available to consumers by phone during regular Department office hours.

Financial and Corporate Regulatory Division

The Department's Financial and Corporate Regulatory Division is comprised of several sections as set forth below.

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DEPARTMENT OF INSURANCE
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(NOT EXAMINED)

Financial Regulation Section

The Financial Regulation Section is responsible for analyzing and monitoring the financial condition and statutory compliance for insurance companies, health maintenance organizations, and other regulated insurance risk bearing entities domiciled or licensed in Illinois. Annual and quarterly financial analysis reviews are completed for all companies domiciled in Illinois. The Section also completes annual reviews of the holding company registration statement for each group which includes all significant transactions, relationships and other information for those Illinois insurers which are part of a holding company group. Analysis techniques are based on the prospective risks for each entity or group as identified by the collaboration of the financial analysis and financial examination sections and are based on the National Association of Insurance Commissioners (NAIC) techniques and guidance that are required for the Department to maintain its accreditation. The Section also works with the Financial and Corporate Regulatory Division - Casualty and Life Actuarial sections, and Corporate Regulation section; Consumer Education and Protection Division; Legal Division; Consumer Education & Protection Division; and Licensing/Education & Testing section of Investigation Division, of the Department in the risk identification process. Appropriate regulatory actions are taken when potential solvency-related problems are identified. Beginning in 2015, the Section also adopted new analysis procedures for review of Enterprise Risk Management and Own Risk and Solvency Assessment reports filed by affected companies and groups.

The Section participates in supervisory or regional colleges with other U.S. and foreign insurance regulators for those insurance groups with international operations or operational issues. Several insurance groups that are eligible for supervisory or regional college supervision are domiciled in Illinois. The Section shares analysis information with other State, federal and non-US insurance regulators under confidentiality agreements between the parties.

The Section is responsible for oversight of the corporate governance and management operations of Illinois domiciled insurers because, by law, many financial transactions such as the acquisition of an Illinois domestic insurer, entering agency, reinsurance, or other agreements, paying dividends, and other items require the prior approval of the Department. The Section also reviews other agreements that are required to be filed with the Department prior to being entered into between affiliated parties to ensure the terms meet the applicable statutory thresholds.

The Section works closely with entities exhibiting distressed financial conditions. In these instances, the Section must devote greater staff resources to ensure a more continuous regulatory process is maintained. In these circumstances, staff has more contact with company representatives in the form of face-to-face or teleconference meetings and other correspondence. Detailed review of expanded analytical data is often required in these situations. In many cases, staff must also coordinate the analysis process with other insurance regulators.

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Actuarial Services Section

The Actuarial Services Section of the Financial and Corporate Regulatory Division include Life Actuarial led, Health Actuarial, and Property & Casualty Actuarial. The Actuarial Services team uses statistical analyses and actuarial modeling to determine the adequacy of loss reserves, cash flow testing, and proper valuation of assets of insurance companies licensed in the State of Illinois. The actuaries provide technical advice regarding transactions requiring prior approval and a wide variety of corporate and legislative proposals.

The Casualty Actuarial group continues to oversee production of the Illinois Property and Casualty Insurance Market Share Report. Staff also evaluates the Actuarial Opinion Summary of all domestic property and casualty companies, performs technical analyses of reinsurance agreements for transfer of risk, evaluates all extraordinary dividend notifications and monitors carried asbestos and environmental reserve amounts.

In support of the consumer services area, actuarial staff reviews actuarial information supporting rate filings, such as that of the Illinois FAIR Plan, the Illinois Mine Subsidence Insurance Fund, the Illinois Automobile Insurance Plan, and the National Council on Compensation Insurance. Staff also oversees the actuarial evaluation of all medical malpractice rate filings; and remains responsible for monitoring medical malpractice historical data and the Illinois Medical Professional Liability Insurance Uniform Claims Reporting (IMPLIUCR) data submitted by companies.

On the financial side, review of the reserve Actuarial Opinion and Regulatory Asset Adequacy Issues Summary of each Illinois domestic is a critical task performed annually. These reviews are done to determine regulatory compliance, but more importantly to assess the risk of aggregate reserve understatement under what are considered moderately adverse interest rate scenarios and policyholder behavior assumptions. Results are compared with other Illinois domestics and follow-up is initiated where outlier results raise concerns.

The Section became members of a select number of the NAIC groups and continued its participation as a nonmember in a wide array of actuarial-related groups at the NAIC. Significant emphasis was given to the Life Actuarial Task Force, as well as to groups involved in the development of Principles Based Reserves and required changes to the regulatory structure.

Since September 2011, the Section has reviewed rate filings for comprehensive major medical insurance for compliance with requirements established by the Federal Affordable Care Act.

Results of these reviews are sent to the Department of Health and Human Services. The Section also coordinates with actuarial consultants to review the Qualified Health Plan (QHP) rates for health plans to be sold in the ACA Health Insurance Exchange in Illinois.

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(NOT EXAMINED)

The Life Actuarial Section reviewed rate filings for Medicare supplement, credit life and credit disability insurance, as well as monitoring compliance with the Small Employer Health Insurance Rating Act.

Financial Examinations Section

Illinois law requires the examination of the financial condition of insurance companies domiciled in Illinois not less than once every five years. On-site financial examinations of companies provide for a detailed review of the company's operations, financial condition, compliance with Illinois laws and regulations, and the reliability of financial statements. The information obtained during an examination may be the basis for timely and appropriate regulatory action.

Under a national regulatory accreditation program administered by the NAIC, financial examinations of multistate insurers must be adopted within 18 months of the end of the year being examined.

The Financial Examination Section utilizes the electronic workpaper software known as "Teammate." This software is used throughout most of the country by State insurance regulators and increases the efficiency and effectiveness of examinations.

In addition to performing financial examinations, the Financial Examination Section annually values the life insurance in force of domestic companies. Reserve liabilities associated with these in-force amounts are certified as meeting applicable minimum standards. Three of these valuations were completed during the year.

Corporate Regulations Section

The Corporate Regulations Section is responsible for the incorporation, formation, licensing, and registration of insurance entities and approval of other corporate transactions. Other registered entities include purchasing groups (organized to purchase commercial liability for the members) and registered risk retention groups (insurance companies organized to write commercial liability insurance on behalf of their owner-members), resident and non-resident surplus line producers (individuals may, under limited circumstances, negotiate insurance contracts with unauthorized insurers not protected by the Illinois Insurance Guaranty Fund).

Public Pension Section

The Public Pension Section of the Financial and Corporate Regulatory Division regulates the suburban and downstate police and firefighter pension systems and collects vital information from those funds, as well as from large state, Cook County and Chicago pension systems, including the Illinois Municipal Retirement System. The Section examines article 3 and 4 pensions, which are firefighter and police pension units from state governmental units with populations under 500,000. The Department's field examinations of pension fund documents and desk audits of

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
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(NOT EXAMINED)

annual statements are the principal processes under which the State protects the accrued pension benefits of active and retired public employees. The Department must also ensure the investments of Illinois public pension systems are in compliance with pension law. The pensions under article 3 and 4 will be consolidated per recent legislation that was signed by the Governor and the impact on the Department is under review.

Information Technology Division

Effective July 1, 2016, the IT functions of the Department were moved to directly report to the newly created Illinois Department of Information Technology (DoIT) with an Intergovernmental Agreement between the Department and DoIT.

Consumer Education and Protection Division

The Division is responsible for consumer protection and education programs and non-financial regulatory functions. The division spends a significant portion of time conducting “on-site” market conduct examinations. Staff is trained to perform their responsibilities in accordance with NAIC and Department guidelines.

Get Covered Illinois Division

Get Covered Illinois (GCI) Division exists to assist consumers in shopping for and enrolling in health insurance by providing in person and web-based education and training. GCI also coordinates resources and community organizations with the common mission of assisting consumers with health insurance.

Investigations Division

The Investigation Division consists of three sections: The Workers’ Compensation Fraud, Producer Regulatory, and Licensing/Education & Testing.

Workers’ Compensation Fraud Section

The Workers’ Compensation Fraud Section is charged with examining allegations of workers’ compensation fraud and insurance non-compliance. Division 25, 5(c) of the Illinois Workers’ Compensation Act specifically provides that it “shall be the duty of the Division to determine the identity of insurance carriers, employees, or other persons or entities that have violated the fraud and insurance non-compliance provisions of this Division.”

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Producer Regulatory Section

The Producer Regulatory Section conducts fiduciary financial examinations of licensed insurance producers, limited representatives, business entities, public adjusters, and other licensed entities. This unit also investigates complaints related to marketing activities and methods. Such examinations and investigations may result in the issuance of a Director's Order to the licensed individual or entity. The Director of Insurance may assess civil penalties based on violations of the insurance code or regulations.

Licensing/Education & Testing Section

The Licensing/Education & Testing Section processes licenses and oversees the related examinations.

Associated Organizations

The Department has three associated organizations. Each organization is described below:

Office of the Special Deputy

The Office of the Special Deputy (OSD) assists the Director in carrying out his responsibilities as the statutory conservator, rehabilitator, or liquidator of insurance companies that are declared insolvent or are otherwise impaired for managing their own affairs. When a company domiciled or licensed in Illinois is placed into receivership, the claims of Illinois residents are covered by one of the State's three insurance Guaranty funds up to the limits allowed by statute.

Comprehensive Health Insurance Plan (CHIP)

The Comprehensive Health Insurance Plan (CHIP) is a State program which offers health insurance to a limited number of Illinois residents who can afford but are unable to find adequate health coverage in the private market because of their medical or physical conditions. CHIP is subject to its own enabling law and is covered by a Board of Directors which is chaired by the Director of Insurance or her designee. CHIP has a small staff which works with the Board of Directors. Claims are administered for CHIP by a private insurer.

National Association of Insurance Commissioners (NAIC)

The NAIC is a central organization of the chief insurance regulatory officials of the 50 states, the District of Columbia, and four (4) U.S. territories. The primary objective of this body is to strengthen and improve state regulation through the formulation of common goals and uniform policies. The Department maintains an active presence in the NAIC and was one of the first four

**STATE OF ILLINOIS
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For the Two Years Ended June 30, 2020

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(4) states to become formally accredited according to the financial regulatory standards established by the NAIC.

Performance Measures

The Department's Fiscal Years 2020, 2019 and 2018 performance measures have been included below.

Consumer Market Division			
Measures	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
<i>Input Indicators</i>			
* Total expenditures – all sources (in thousands)	\$15,776	\$16,838	\$16,623
* Total expenditures – state appropriated funds (in thousands)	\$15,776	\$16,838	\$16,623
* Average monthly full-time equivalents	122	98	103
<i>Output Indicators</i>			
* Number of LA&H, P&C, and HMO consumer complaints closed	11,899	10,670	13,688
* Number of written inquiries responded to (oral, written, Internet) (includes Chicago)	62,831	97,696	105,562
* Number of LA&H and P&C market conduct exams completed	7	17	61
* Number of market conduct corrective orders issued	7	17	19
* Number of new/renewal licenses processed by the Producer Licensing Section	122,500	121,961	118,575
* Number of LA&H and P&C form and rate filings processed	16,276	39,101	36,195
* Utilization review applications processed (URO renewals are based on a two-year cycle)	113	121	120
* PPO annual renewal applications processed	103	128	128
* HMO policy form filings processed	153	270	251
* Number of facts sheets available on the Department Internet site	55	53	56

STATE OF ILLINOIS
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For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Consumer Market Division			
Measures	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
<u>Output Indicators</u>			
* Number of external reviews closed	2,609	3,310	2,624
* Reduction in number of P&C companies with more than five complaints closed, whose average consumer complaint response time is greater than 21 days	84	65	76
* Reduction in number of LA&H companies with more than five complaints closed, whose average consumer complaint response time is greater than 21 days	52	61	73
* Percentage of auto/homeowner's insurers complying with prompt payment standards	95%	95%	95%
* Percentage reduction in companies not in compliance with previous market conduct examination orders	0%	0%	0%
* Additional claim dollars paid to consumers (in dollars)	\$12,076,460	\$15,456,572	\$8,701,507
* Premium overcharges returned to consumers (in dollars)	-	\$3,883.6	\$2,526.0
<u>Efficiency/Cost-Effectiveness Indicators</u>			
* Percentage of new license applications processed electronically within one working day	100%	100%	100%
* Percentage of renewal license applications processed electronically within one working day	100%	100%	100%
* Percentage of new paper license applications processed electronically within one working day	98%	98%	98%
* Percentage of renewal paper license applications processed electronically within one working day	98%	98%	98%

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Financial/Corporate Division			
Measures	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
<i>Input Indicators</i>			
* Total expenditures - all sources (in thousands)	\$19,900	\$18,700	\$18,887
* Total expenditures - state appropriated funds (in thousands)	\$19,900	\$18,700	\$18,887
* Average monthly full-time equivalents	114	105	106
<i>Output Indicators</i>			
* LA&H and P&C financial exams started	47	97	77
* LA&H, P&C, and HMO annual financial statements reviewed	264	296	340
* LA&H, P&C, and HMO quarterly financial statements reviewed	859	872	763
* Corrective orders, stipulation and consent orders, and notices of impairment issued	6	9	9
* Certificates of authority renewed	1,389	1,410	1,423
* Pension fund exams started	75	39	27
* Pension fund exams completed	23	32	23
* Pension fund annual statements reviewed	569	703	1,052
* LA&H, P&C, and HMO limited exams started	3	23	7
* Service contract provider registrations (new and renewal)	253	246	245
* Risk retention groups registered	111	109	113
* LA&H, P&C, and HMO exams scheduled	50	90	68
* LA&H, P&C, and HMO limited exams scheduled	10	12	8
* LA&H, P&C, and HMO annual financial statements received	352	357	346
* LA&H, P&C, and HMO quarterly financial statements received	878	912	902
* Pension fund annual statements received	664	668	1,052
* Number of company transaction requests reviewed	932	914	953
* Number of certification transactions processed annually	3,145	4,721	6,843
* Number of corporate change transactions processed annually	408	426	386

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Financial/Corporate Division			
Measures	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
<i>Outcome Indicators</i>			
* Number of surplus lines producers - licensing (new and renewal)	2,666	2,547	2,377
* Number of summons issued for service of process on foreign and alien insurers	574	1,216	1,947
* Number of purchasing group registrations	10	15	15
* Percentage of financial analysis issues resolved	100%	100%	100%
* 10-year rolling average of LA&H companies in receivership	1%	1%	1%
* 10-year rolling average of P&C companies in receivership	1.5%	1.5%	1.5%
* 10-year rolling average of HMOs in receivership	1.9%	1.9%	0%
* Percentage of LA&H companies operating compared to previous year	100.2%	106%	99.3%
* Percentage of P&C companies operating compared to previous year	100.2%	100%	101.1%
* Percentage of HMOs operating compared to previous year	100.6%	111%	102.1%
* National Association of Insurance Commissioners Accreditation awarded	Yes	Yes	Yes

Planning

The Department's planning process includes working with a wide variety of external stakeholders. The Department is constantly in communication with the Governor's office, the legislature, representatives of the insurance industry and the NAIC on any upcoming legislation at the State or federal level or trends that could influence the regulation of industries overseen by the Department. Once potential changes have been noticed, Department leadership works with the relevant areas in the Department to determine impact and future needs of the Department. Oftentimes, the Department will need to do actuarial analysis of potential changes the Department could see, and these are worked on by both internal staff and contractors the Department obtains through the State's procurement process. The leadership team will also work with staff to determine any other impacts (fiscal, legal, etc.). These staff will then make recommendations and raise any concerns with the leadership team.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Significant Challenges

The primary challenges the Department has faced have been related to the impact of COVID-19.

The sudden change to a work from home environment during this time have provided some minor challenges that have mostly been resolved through the use of technology. Employees have been able to work remote into their desktop computers from home during this time through DoIT's Citrix connection. This connection has worked well, but connectivity is still sometimes an issue. Another step the Department has taken is the use of Office 365 allowing employees to use cloud-based apps from home (Outlook, Word, Excel, Team).

Outside of direct operational challenges, the Department will need to continue to monitor the insurance industry as it will likely face significant changes and challenges during the coming years. The impact of COVID-19 along with potential changes from the federal government could change the landscape of the industry in the future.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

The Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances is presented in Schedule 3 of this report. Included are explanations for variances greater than \$100,000 and 20%. Explanations were prepared by Department management and are presented for additional analysis purposes only.

Fiscal Year 2020 Compared to Fiscal Year 2019

General Revenue Fund – 0001

Unpaid wage increase

The decrease of \$996,085 or 100% was a result of the back wages for AFSCME Council 31 employees receiving back wage payments from the General Revenue Fund (GRF) in Fiscal Year 2019. There were no back wage payments in Fiscal Year 2020, and the Department received no GRF appropriations.

Illinois Workers' Compensation Commission Operations Fund – 0534

Lump sums and other purposes – Operational costs and expenses

The decrease of \$130,343 or 26% was a result of a decrease in personal services and related costs due to decreased average headcount from 4 in Fiscal Year 2019 to 3 in Fiscal Year 2020.

Insurance Producer Administration Fund – 0922

Group Insurance

The decrease of \$402,067 or 20% was primarily attributed to a decrease in the average headcount from 106 in Fiscal Year 2019 to 98 in Fiscal Year 2020.

Electronic data processing

The decrease of \$422,734 or 20% was primarily due to Department staff payroll being transferred to DoIT along with a decrease in auditing and management services and software costs. There were 12 staff paid from Fund 0922 transferred to DoIT in Fiscal Year 2020.

Lump sums and other purposes – Get Covered Illinois (GCI)

The decrease of \$402,646 or 65% was a result of a reduction in payroll costs due to the separation of a full-time and a contractual employee, decreased travel and advertising paid in relation to the GCI project during Fiscal Year 2020.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Insurance Financial Regulation Fund – 0997

Electronic data processing

The decrease of \$152,993 or 27% was due to 4 staff paid from Fund 0997 in Fiscal Year 2019 but transferred to DoIT in Fiscal Year 2020. In addition, expenses for a contractual consultant were paid in Fiscal Year 2019 but no such expenses were made in Fiscal Year 2020.

Fiscal Year 2019 Compared to Fiscal Year 2018

General Revenue Fund – 0001

Unpaid wage increase

The increase of \$996,085 or 100% was due to back wage payments made to AFSCME Council 31 employees. There were no payments made from the GRF in Fiscal Year 2018.

Illinois Workers' Compensation Commission Operations Fund – 0534

Lump sums and other purposes – Operational costs & expenses

The decrease of \$201,042 or 29% was primarily due to a reduction in the average headcount from 6 in Fiscal Year 2018 to 4 Fiscal Year 2019.

Insurance Producer Administration Fund – 0922

Lump sums and other purposes – Operational costs & expenses

The increase of \$289,994 or 108% was due to the scanning services of Department's records along with various computer software and professional services being paid from Fund 0922 during Fiscal Year 2019.

Insurance Financial Regulation Fund – 0997

Electronic data processing

The decrease of \$289,628 or 34% was due to a reduction in payroll costs primarily due to the transition of Department staff to DoIT in Fiscal Year 2019.

Lump sums and other purposes – Operational costs & expenses

The decrease of \$107,525 or 54% was due to payments made for actuarial consulting services and additional NAIC membership dues in Fiscal Year 2018. No such expenses were made in Fiscal Year 2019.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Insurance Premium Tax Refund Fund – 0378

The decrease of \$1,008,250 or 37% was due to a smaller amount of refunds being issued in Fiscal Year 2019. This is a continuing appropriation and total payments from this fund will vary year to year.

Group Workers' Compensation Pool Insolvency Fund – 0739

The decrease of \$557,235 or 99% was due to small workers' compensation awards and no combined settlement costs in Fiscal Year 2019. This fund is used to pay workers' compensation claims unpaid due to the insolvency of a pool. Expenditures will vary year to year as the actual payments depend upon the result of court decisions within a given fiscal year.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

The Comparative Schedule of Cash Receipts and Deposits into the State Treasury is presented in Schedule 5 of this report. Included are explanations for variances greater than \$100,000 and 20%. Explanations were prepared by Department management and are presented for additional analysis purposes only.

Fiscal Year 2020 Compared to Fiscal Year 2019

Insurance Premium Tax Refund Fund – 0378

Privilege insurance tax

The increase of \$692,000 or 37% was primarily due to the timing of refunds. These refunds can be random and are expected to fluctuate year to year.

Parity Advancement Fund – 0461

Penalties

The increase of \$1,115,250 or 532% was primarily due to the fund being new in Fiscal Year 2019 and the large penalties being collected are due to market conduct exams.

Federal Trust Fund – 0673

Federal government grants

The decrease of \$159,233 or 27% was primarily due to the expiration of two federal grants (CFDA 93.511 and CFDA 93.519) in Fiscal Year 2020.

Insurance Financial Regulation Fund – 0997

Regulatory insurance licenses and fees

The decrease of \$9,297,131 or 41% was primarily due to the timing of deposits at fiscal year-end. For Fiscal Year 2019, 62% of fees were collected in June 2019 while for Fiscal Year 2020, 86% of fees were collected in July 2020.

Fiscal Year 2019 Compared to Fiscal Year 2018

Insurance Premium Tax Refund Fund – 0378

Privilege insurance tax

The decrease of \$762,000 or 29% was primarily due to the timing of refunds. These refunds can be random and are expected to fluctuate year to year.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Parity Advancement Fund – 0461

Penalties

The increase of \$209,750 or 100% was due to the fund established in Fiscal Year 2019.

Federal Trust Fund – 0673

Federal government grants

The increase of \$353,235 or 149% was primarily due to a new grant awarded (CFDA 93.413) in Fiscal Year 2019.

Group Workers' Compensation Pool Insolvency Fund – 0739

Surety bonds

The increase of \$112,863 or 93% was primarily due to increase of qualified group workers' compensation pools that are required to pay 0.5% of all compensation and medical service payments made under either the Workers' Compensation Act or the Workers' Occupational Diseases Act. These payment amounts and counts vary and the changes can be random year to year.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

The Schedule of Appropriations, Expenditures, and Lapsed Balances for Fiscal Years 2020 and 2019 are presented in Schedules 1 and 2, respectively, of this report. Included are explanations for lapse period spending greater than \$100,000 and 20%. Explanations were prepared by Department management and are presented for additional analysis purposes only.

Fiscal Year 2020

Insurance Producer Administration Fund – 0922

Contractual services costs

The Lapse Period spending of \$366,618 or 33% of total expenditures was primarily due to delayed payments to the Technology Management Revolving Fund for DoIT staff payroll and Facility Management Revolving Fund for May and June 2020 lease payments for the Springfield office and June 2020 lease payment for the Chicago office.

Lump sum and other purpose – Operational costs and expenses

The Lapse Period spending of \$236,138 or 37% was primarily due to payments for software cost from March to June 2020.

Fiscal Year 2019

General Revenue Fund – 0001

Unpaid wage increase

The Lapse Period spending of \$996,085 or 100% of total expenditures represents back wages for AFSCME Council 31 employees receiving back wage payments from the General Revenue Fund (GRF).

Insurance Producer Administration Fund – 0922

Electronic data processing

The Lapse Period spending of \$477,352 or 22% of total expenditures was primarily due to delayed payments to the Technology Management Revolving Fund for DoIT staff payroll for May and June 2019.

Lump sums and other purpose – Operational costs and expenses

The Lapse Period spending of \$136,898 or 24% of total expenditures was primarily due to payments for software costs from March to June 2019.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2020

(NOT EXAMINED)

Insurance Financial Regulation Fund – 0997

Contractual services

The Lapse Period spending of \$294,889 or 21% of total expenditures was primarily due to payments of April to June billings for the Facility Management Revolving Fund along with payments for consulting services received in May and June 2019.

Electronic data processing

The Lapse Period spending of \$134,751 or 24% of total expenditures represents payroll payments for DoIT staff for the months of May and June 2019.

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
NUMBER OF EMPLOYEES**

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

<u>AVERAGE FULL-TIME EMPLOYEES</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Springfield			
Workers' Compensation Fraud Fund - 0534	1	1	-
Public Pension Regulation Fund - 0546	2	3	2
Producer Administration Fund - 0922	83	95	105
Financial Corporate Regulatory Fund - 0997	58	56	56
Sub-Total, Springfield	<u>144</u>	<u>155</u>	<u>163</u>
Chicago			
Workers' Compensation Fraud Fund - 0534	1	3	6
Public Pension Regulation Fund - 0546	8	5	6
Producer Administration Fund - 0922	12	11	15
Financial Corporate Regulatory Fund - 0997	43	42	45
Sub-Total, Chicago	<u>64</u>	<u>61</u>	<u>72</u>
 Total Full-Time Equivalent Employees	 <u>208</u>	 <u>216</u>	 <u>235</u>

Note 1: This schedule presents the average number of full-time employees by fund and location.

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
ANALYSIS OF OVERTIME AND COMPENSATORY TIME**

(NOT EXAMINED)

For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATIONAL DIVISIONS			
Illinois Workers' Compensation Commission			
Operation Fund - 0534			
Overtime Hours Paid	2	-	-
Compensatory Hours Granted	20	4	2
Total	<u>22</u>	<u>4</u>	<u>2</u>
Value of Overtime Hours Paid	\$ 89	\$ -	\$ -
Value of Compensatory Hours Granted	813	246	36
Total Costs	<u>\$ 902</u>	<u>\$ 246</u>	<u>\$ 36</u>
Public Pension Regulation Trust Fund - 0546			
Overtime Hours Paid	4	128	202
Compensatory Hours Granted	7	36	7
Total	<u>11</u>	<u>164</u>	<u>209</u>
Value of Overtime Hours Paid	\$ 324	\$ 6,837	\$ 9,691
Value of Compensatory Hours Granted	336	1,081	165
Total Costs	<u>\$ 660</u>	<u>\$ 7,918</u>	<u>\$ 9,856</u>
Insurance Producer Administration Fund - 0922			
Overtime Hours Paid	797	772	726
Compensatory Hours Granted	662	549	963
Total	<u>1,459</u>	<u>1,321</u>	<u>1,689</u>
Value of Overtime Hours Paid	\$ 42,283	\$ 36,409	\$ 34,973
Value of Compensatory Hours Granted	33,492	23,328	31,818
Total Costs	<u>\$ 75,775</u>	<u>\$ 59,737</u>	<u>\$ 66,791</u>
Insurance Financial Regulation Fund - 0997			
Overtime Hours Paid	1,819	1,908	1,592
Compensatory Hours Granted	468	443	477
Total	<u>2,287</u>	<u>2,351</u>	<u>2,069</u>
Value of Overtime Hours Paid	\$ 110,803	\$ 120,865	\$ 97,060
Value of Compensatory Hours Granted	26,875	31,620	21,728
Total Costs	<u>\$ 137,678</u>	<u>\$ 152,485</u>	<u>\$ 118,788</u>
GRAND TOTAL			
Overtime Hours Paid	2,622	2,808	2,520
Compensatory Hours Granted	1,157	1,032	1,449
Total	<u>3,779</u>	<u>3,840</u>	<u>3,969</u>
Value of Overtime Hours Paid	\$ 153,499	\$ 164,111	\$ 141,724
Value of Compensatory Hours Granted	61,516	56,275	53,747
Total Costs	<u>\$ 215,015</u>	<u>\$ 220,386</u>	<u>\$ 195,471</u>