

State of Illinois
Office of the Comptroller – General Assembly
(House of Representatives, Senate)

Compliance Examination of Census Data

For the Year Ended June 30, 2022
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

**State of Illinois
Office of the Comptroller – General Assembly (House of Representatives, Senate)
Compliance Examination of Census Data**

For the Year Ended June 30, 2022

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**State of Illinois
Office of the Comptroller – General Assembly (House of Representatives, Senate)
Compliance Examination of Census Data**

For the Year Ended June 30, 2022

Office Officials

Comptroller	Susana A. Mendoza
Assistant Comptroller – Fiscal Policy and Budget	Kevin Schoeben
Assistant Comptroller – Operations and Information Technology	Ellen M. Andres
Acting Assistant Comptroller – Chicago Office	Cesar Orozco
Chief Legal Counsel	Debjani Desai
Chief Internal Auditor (July 1, 2020 to November 18, 2021)	Gary Shadid
Chief Internal Auditor (November 19, 2021 to January 13, 2022)	Vacant
Interim Chief Internal Auditor (January 14, 2022 to September 15, 2022)	Marvin Becker
Chief Internal Auditor (September 16, 2022 to Present)	Teri Taylor

Administrative Offices

Capitol Building
201 State Capitol
Springfield, Illinois 62706-0001

Land of Lincoln Building
325 West Adams Street
Springfield, Illinois 62704

James R. Thompson Center
100 West Randolph Street, Suite 15-500
Chicago, Illinois 60601-3252



ILLINOIS OFFICE OF COMPTROLLER

SUSANA A. MENDOZA
COMPTROLLER

MANAGEMENT ASSERTION LETTER

June 9, 2023

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Office of the Comptroller (Office) and reporting their significant elements of census data and related employer contributions within the General Assembly Retirement System (System). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Office's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Office has materially complied with the specified requirements listed below.

- A. All of the Office's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the System occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Office to the System. The significant elements of census data of the System include each employee's:
 - social security number;
 - first and last name;
 - date of birth;
 - gender;
 - rate of pay; and,
 - retirement deduction code.
- C. General Revenue Fund payroll paid by the Office and recorded within the Statewide Accounting Management System under detail object code 1111, during the year ended June 30, 2022, was complete, accurate, and in accordance with applicable laws, rules, and regulations.

555 West Monroe Street, 1400S-A
Chicago, Illinois 60661-3713
(312) 814-2451

325 West Adams Street
Springfield, Illinois 62704-1871
(800) 877-8078

Sincerely,

State of Illinois, Office of the Comptroller

SIGNED ORIGINAL ON FILE

Susana A. Mendoza, Comptroller

SIGNED ORIGINAL ON FILE

Kevin Schoeben, Assistant Comptroller – Fiscal Policy and Budget

SIGNED ORIGINAL ON FILE

Adam Alstott, Deputy Chief Legal Counsel

**State of Illinois
Office of the Comptroller – General Assembly (House of Representatives, Senate)
Compliance Examination of Census Data**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and employer contributions for pensions under the General Assembly Retirement System (System) performed during this 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*.

Accountant’s Report

The Independent Accountant’s Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report*
Findings	1	0
Repeated findings	N/A	N/A
Prior recommendations implemented or not repeated	N/A	N/A

* The prior period was the first compliance examination over census data.

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2022-001	8	New	Inaccurate Census Data	Significant Deficiency and Noncompliance

Exit Conference

The Office waived an exit conference in a correspondence from Christine Belle, Director, Budget and Payroll, on April 24, 2023. The response to the recommendation was provided by Christine Belle, Director, Budget and Payroll, in a correspondence dated April 24, 2023.



**Independent Accountant’s Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

External Auditors
State of Illinois, Office of the Comptroller

Board of Trustees
General Assembly Retirement System

Mr. Timothy Blair
Executive Secretary
General Assembly Retirement System

Compliance

As Special Assistant Auditors for the Auditor General of the General Assembly Retirement System (System), we have examined compliance by management of the State of Illinois, Office of the Comptroller (Office) 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:

1. the census data accumulation year for the System ended June 30, 2022 and
2. the proportionate share allocation year for the System ended June 30, 2022.

Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office’s compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Office’s employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the System occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Office to the System.

The significant elements of census data of the System include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth;
 - d. gender;
 - e. rate of pay; and,
 - f. retirement deduction code.
- C. General Revenue Fund payroll paid by the Office and recorded within the Statewide Accounting Management System under detail object code 1111, during the year ended June 30, 2022, was complete, accurate, and in accordance with applicable laws, rules, and regulations.

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 Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, 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 opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the Office complied with the specified requirements, in all material respects, during:

1. the census data accumulation year for the System ended June 30, 2022, and
2. the proportionate share allocation year for the System ended June 30, 2022.

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 item 2022-001.

The Office's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Office's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

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.

Report on Internal Control Over Compliance

Management of the Office 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 Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control

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 material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Office's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Office's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

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.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 9, 2023

**State of Illinois
Office of the Comptroller – General Assembly (House of Representatives, Senate)
Compliance Examination of Census Data
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data

The Office of the Comptroller (Office) had certain deficiencies in their internal control to ensure accurate census data was provided to the General Assembly Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Office's employees are members of both the pension plan administered by the System and the State Employees Group Insurance Program (SEGIP) sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the census examination, it was identified that:

- During backwards testing, the auditors identified one of twenty-three (4%) employees included on Office payroll reports with an incorrect retirement deduction code.

The result of the error above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the error immaterial to the plan level valuations as a whole.

The State Records Act (5 ILCS 160/8) requires the Office make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Office's activities.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Office officials indicated the exception was due to oversight.

Failure to ensure census data reported to the System was complete and accurate may result in significant misstatements of the Office's financial statements and reduce the overall accuracy of System-related pension liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies. (Finding Code No. 2022-001)

**State of Illinois
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Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data (Continued)

Recommendation:

We recommend the Office strengthen controls to ensure accurate census data is provided to the System for use in the annual actuarial valuation process. If differences are noted between the Office's data and the System's data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data.

Office Response:

The Office of the Comptroller has updated their procedures to include an additional review of the General Assembly Payroll census data to ensure that all information reported is current and accurate.