



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**  
**COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND**

**Financial Audit**  
**For the Year Ended June 30, 2022**

**Release Date: April 6, 2023**

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2021		21-1	
<b>Category 2:</b>	<b>1</b>	<b>1</b>	<b>2</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

This digest covers the Department of Central Management Services (Department), Community College Health Insurance Security Fund financial audit as of and for the year ended June 30, 2022.

**SYNOPSIS**

- (22-1) The Department failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program.
- (22-2) The Department did not have sufficient controls over their change management procedures.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND  
FINANCIAL AUDIT**

**For the Year Ended June 30, 2022**

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)</b>	<b>FY 2022</b>	<b>FY 2021</b>
<b>Additions</b>		
Contributions		
Employer.....	\$ 4,715	\$ 4,649
State.....	4,715	4,649
Active Plan Member .....	4,715	4,649
Federal Government Medicare Part D.....	58	202
Total Contributions.....	<u>14,203</u>	<u>14,149</u>
Investment income.....	16	5
Total Additions.....	<u>14,219</u>	<u>14,154</u>
<b>Deductions</b>		
Benefit Payments and Refunds.....	27,628	25,827
General and Administrative Expenses.....	6,049	4,492
Total Deductions.....	<u>33,677</u>	<u>30,319</u>
<b>Net Additions (Deductions).....</b>	<b>(19,458)</b>	<b>(16,165)</b>
Unrestricted Net Position.....		
Beginning of Year.....	(104,136)	(87,971)
<b>End of Year.....</b>	<b><u>(123,594)</u></b>	<b><u>\$ (104,136)</u></b>
<b>SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (expressed in thousands) (Unaudited)</b>		
	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Total OPEB Liability- Beginning.....	\$ 1,631,397	\$ 1,734,793
Net Change in Total OPEB Liability .....	\$ (1,070,431)	\$ (103,396)
Total OPEB Liability- Ending.....	\$ 560,966	\$ 1,631,397
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	-22.03%	-6.38%
<b>PARTICIPANT INFORMATION</b>		
	<b>FY 2022</b>	<b>FY 2021</b>
Number of Retirees.....	6,786	6,708
Number of Inactive, Nonretired Members.....	6,513	6,214
Number of Active Members.....	18,791	19,790
Total.....	<u>32,090</u>	<u>32,712</u>
Number of Participating Employers.....	39	39
Number of Nonemployer Contributing Entities.....	1	1
<b>AGENCY DIRECTOR</b>		
During Audit Period: Janel Forde (7/1/21 - 6/12/22), Anthony Pascente (Acting) (6/13/22 - 1/20/23), Raven DeVaughn (Acting) (1/21/23 - Present)		
Currently: Raven DeVaughn (Acting)		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FAILURE TO DETERMINE PREMIUMS THAT  
ALLOW FOR ESTABLISHMENT OF ACTUARIAL  
SOUND RESERVE**

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2022 testing, we continued to identify exceptions, as noted below:

**1.932% of insurance rate that was benefit recipient's responsibility was covered by the Fund**

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6.9(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 1.932% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$42,066.

**Fund deficit of \$123.594 million and no reserve**

- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2022, the Program had a fund deficit of \$123.594 million. Additionally, the Program experienced a loss of \$19.458 million during Fiscal Year 2022. The Program does not have an actuarially sound reserve. (Finding 1, pages 24-25)

We recommended the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommended the Department either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.

**Department agreed**

The Department agreed with the finding and stated it will seek legislative relief as an expected bill is in the process of being introduced.

## **INADEQUATE CONTROLS OVER CHANGE MANAGEMENT**

The Department did not have sufficient controls over their change management procedures.

**Complete and accurate population of application changes could not be provided**

Change control is the systematic approach to managing changes to an IT environment, applications, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes. The Department was unable to provide a complete and accurate population of changes for applications maintained by the Department; therefore, we were unable to perform any testing of the internal controls over changes to the applications and data. (Finding 2, pages 26-27)

We recommended the Department implement controls in order to track the changes made to their applications and data.

**Department agreed**

The Department agreed with the finding and stated it will work with the Department of Innovation and Technology (DoIT) to obtain the information needed to implement the controls necessary for tracking changes made to its applications.

### **AUDITOR'S OPINION**

The auditors stated the financial statements of the Department of Central Management Services, Community College Health Insurance Security Fund as of and for the year ended June 30, 2022, are fairly stated in all material respects.

This financial audit was conducted by Sikich LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:meg