



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
University Benefits Schedules

**Compliance Examination
 For the Year Ended June 30, 2018**

Release Date: December 12, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2016		18-1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

The Department of Central Management Services pays for the group insurance costs for certain university employees on behalf of all State-operated universities in Illinois. At the end of each fiscal year, the Department prepares the University Benefits Schedules that summarize exempt and non-exempt employees and exempt and non-exempt funding. These amounts are utilized in the universities' fiscal year financial reporting. The State Comptroller also uses these amounts to determine the amount of on-behalf revenue to allocate to the universities.

SYNOPSIS

- (18-1) The Department used inaccurate data during the calculation of the University Benefit Analysis.

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.

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INACCURATE DATA USED DURING CALCULATION
OF THE UNIVERSITY BENEFIT ANALYSIS**

During our examination of the University Benefit Analysis (UBA) for June 30, 2018, we noted errors in the data used by the Department of Central Management Services resulting in misstatements of the estimated cost of health insurance benefits paid on-behalf of State universities.

Errors in the data used included the following:

- The average cost per employee is a figure shown at the bottom of the UBA schedule, which represents the Department's estimated average cost of group health insurance benefits per covered member during the fiscal year. This figure is calculated as part of the annual State Employees Group Insurance Program (SEGIP) rate setting process. During our review of the calculation, we noted the Department included a \$10,392,285 estimated Affordable Care Act (ACA) payment in the average cost calculation. However, a sunset provision in ACA on reinsurance fees was effective on December 31, 2016. Therefore, the Department did not pay this fee in fiscal year 2018, and this amount should not have been included as part of the calculation. As a result, the estimated costs paid by the Department on behalf of State universities were overstated by \$4.1 million.
- During our testing of non-exempt contributions, we noted a duplicate payment erroneously entered into the Benefits Reimbursement System for Governors State University. One of the checks was voided; however, this was not reflected in the Benefits Reimbursement System. This resulted in the amount of health insurance coverage costs paid by the Department on behalf of State universities being understated by \$28,752.

**Estimated costs overstated by over
\$4 million**

**Duplicate payment erroneously
included**

No documentation of internal review

The Department adjusted the fiscal year 2018 University Benefit Schedules to correct these errors.

In addition to the errors noted in the calculations, the Department was unable to provide documentation that an internal review of calculations to determine the average cost of health insurance coverage per employee had been performed separate from their preparation. (Finding 1, pages 7-8) **This finding has been repeated since 2016.**

We recommended the Department implement procedures to ensure the preparation of the University Benefits Analysis is based on accurate and reliable data. Furthermore, we recommended the Department strengthen controls to ensure

SEGIS rate development calculations are performed and reviewed in a timely and accurate manner. This should include documentation of detailed instructions on the accumulation of data, formation of estimates or assumptions, performance of calculations, and review of the results of calculations.

Department agrees with auditors

The Department agreed with the recommendation and stated the Department will continue to prepare the UBA based upon the most accurate and reliable data available at the time of preparation and the Department will continue to perform timely and accurate reviews of the rate development calculations as well as work toward improving the documentation of such calculations.

ACCOUNTANT’S OPINION

The accountants conducted a compliance examination of management’s assertions regarding the University Benefits Schedules for the year ended June 30, 2018. The accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Sikich LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:skm

DIGEST FOOTNOTES

#1 - INACCURATE DATA USED DURING CALCULATION OF THE UNIVERSITY BENEFIT SCHEDULES

2017: The Department agrees with the finding and recommendation. The Department will strive to implement financial reporting procedures to ensure the accuracy, reliability, and reasonableness of data utilized to perform the University Benefit Analysis.