



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

**Financial Audit  
 For the Year Ended June 30, 2018**

**Release Date: April 25, 2019**

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2015	18-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

**INTRODUCTION**

This report covers our financial audit of the Department of Central Management Services for the year ended June 30, 2018.

**SYNOPSIS**

- **(18-1)** The Department’s year-end financial reporting to the Office of the State Comptroller contained errors in the determination of certain year-end account balances and omission of a required disclosure.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2018**

<b>STATEMENT OF ACTIVITIES</b> (expressed in thousands)	<b>Fiscal Year</b> <b>2018</b>	<b>Fiscal Year</b> <b>2017</b>
<b>PROGRAM REVENUES</b>		
Charges for Services.....	\$ 3,076,300	\$ 1,334,570
Federal.....	\$ 2,247	\$ 1,663
<b>EXPENSES</b>		
Total Expenses.....	5,378,569	6,069,233
<b>NET (EXPENSES) REVENUES.....</b>	<b>(2,300,022)</b>	<b>(4,733,000)</b>
Total General Revenues and Transfers.....	6,077,158	358,224
<b>CHANGE IN NET POSITION.....</b>	<b>3,777,136</b>	<b>(4,374,776)</b>
Net Position, July 1, as restated.....	(5,289,009)	(17,246,612)
<b>NET POSITION, JUNE 30.....</b>	<b>\$ (1,511,873)</b>	<b>\$ (21,621,388)</b>
<b>STATEMENT OF NET POSITION</b> (expressed in thousands)	<b>Fiscal Year</b> <b>2018</b>	<b>Fiscal Year</b> <b>2017</b>
Cash, Equity and Cash Equivalents.....	\$ 358,383	\$ 263,080
Capital Assets, net.....	183,895	196,724
Other Assets.....	1,351,338	801,306
Deferred outflows of resources.....	147,093	113,263
<b>Total Assets and Deferred Outflows of Resources.....</b>	<b>2,040,709</b>	<b>1,374,373</b>
Accounts Payable and Accrued Liabilities.....	2,379,394	5,574,017
Long Term Obligations and Other Liabilities.....	1,132,306	17,410,917
Deferred inflows of resources.....	40,882	10,827
<b>Total Liabilities and Deferred Inflows of Resources.....</b>	<b>3,552,582</b>	<b>22,995,761</b>
Net Position, Net Investment in Capital Assets.....	183,895	192,499
Net Position, Restricted .....	-	4,598
Net Position, Unrestricted.....	(1,695,768)	(21,818,485)
<b>Total Net Position.....</b>	<b>\$ (1,511,873)</b>	<b>\$ (21,621,388)</b>
<b>AGENCY DIRECTOR</b>		
During Examination Period: Michael Hoffman, Acting (through 3/2/18), Tim McDevitt, Acting (3/3/18 - 1/4/19)		
Currently: Janel Forde, Acting		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Department's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the State Comptroller contained errors in the determination of certain year-end account balances and omission of a required disclosure.

A few of the errors we noted during the audit of the June 30, 2018 follows:

- The Department overstated liabilities in the Workers' Compensation Revolving Fund by \$1.076 million due to the duplicate recognition of a claim award in Fiscal Year 2018 that had been previously recognized in the prior fiscal year. The Department deemed this error immaterial and did not revised the applicable financial statements.
- The Department understated liabilities in the Workers' Compensation Revolving Fund by \$1.352 million due to the exclusion of significant lapse period payroll data as well as all of the payroll data for one agency from the data used in actuarial calculations. The Department deemed this error immaterial and did not revise the applicable financial statements.
- The Department failed to disclose commitments of \$8.1 million in the State Garage Revolving Fund at June 30, 2018 related to vehicles ordered but not received as of that date. The Department revised the notes to the financial statements to include this disclosure.
- The Department improperly reported \$3.982 billion of bond proceeds received as a reduction of expenditures rather than as transfers-in. The Department reclassified the \$3.982 billion received from expenditures to transfers-in for the June 30, 2018 financial statements. (Finding 1, pages 65-68) **This finding has been repeated since 2015.**

**Commitment disclosure omitted**

We recommended the Department implement procedures and training measures throughout the Department to ensure required financial information is prepared and submitted to those responsible for financial reporting in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure complete, accurate, and reliable financial

information is prepared and submitted to the Office of the State Comptroller (IOC). We also recommended these procedures address all elements of the Department's financial reporting process including, but not limited to, reconciliation of accounting records used for transaction recording and reporting, supervisory review of supporting spreadsheets for data accumulation, the preparation of management estimates, consideration of required financial statement disclosures, and conformity to GAAP for infrequent or uncommon transactions.

The Department stated they continue to strive to ensure accurate and timely GAAP reporting and they will continue to collaborate with the IOC during its GAAP reporting process. *(For the previous Department response, see Digest Footnote #1)*

### **AUDITOR'S OPINION**

The auditors stated the financial statements of the Department of Central Management Services as of and for the year ended June 30, 2018, are fairly stated in all material respects.

This financial audit was conducted by Sikich, LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:skm

### **DIGEST FOOTNOTES**

#### **#1 – Weaknesses in internal control over financial reporting**

2017: The Department agrees with the finding and recommendation. The Department will strive to implement cross-training measures and financial reporting procedures to ensure the timeliness, accuracy, reliability, and reasonableness of data utilized to perform financial reporting. Additionally, the Department will continue to work diligently to fill key positions to ensure an independent, internal analytical review of calculations is documented and completed timely.