



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES **University Benefits Analysis Schedules**

Compliance Examination
For the Year Ended June 30, 2016

Release Date: May 23, 2017

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				
Category 2:	0	0	0				
Category 3:	1	0	1				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: N/A				This was the first examination of these schedules.			

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 Analysis Report that summarizes 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

- (16-1) 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 for June 30, 2016, 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 and other entities.

Errors in the data used included the following:

Errors noted in monthly reports

- Several errors were discovered in a monthly report the Department uses to obtain counts of employees covered by the State Employees' Group Insurance Program for each component unit;
- The Department prepared the University Benefits Analysis schedule for fiscal year 2016 using data as of July 31, 2016;
- Due to the fact that not all contributions from universities related to fiscal year 2016 payroll periods had been received as of July 25, 2016, the date as of which data was compiled for the University Benefits Analysis, the Department estimated receivables of university contributions subsequent to July 25, 2016; and,
- Consistent with prior years, the Department prepared the University Benefits Analysis schedule using university headcount data as of June 30, 2016. However, considering significant declines in university headcounts during fiscal year 2016, ranging from 10% to 40%, it would have been more appropriate to consider average covered employee counts for the fiscal year. (Finding 1, pages 6-8).

We recommended the Department implement procedures to ensure the preparation of the University Benefits Analysis is based on accurate and reliable data. We also recommended the Department consider the reasonableness and consistency of monthly contributions and covered employee count data to identify irregularities which may require adjustment for the University Benefits Analysis. Lastly, we recommended the Department consider fluctuations in the universities' covered employee counts during the year in assessing the appropriate counts on which to base on-behalf contributions.

Department agrees with auditors

The Department agreed with the recommendations and stated Benefits will run the report monthly to check for reasonableness and consistency and investigate any excessive fluctuations in the number of covered employees. The

Department also stated they will use average covered employee counts for the University Benefits Analysis calculation.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of management's assertions regarding the University Benefits Schedules for the year ended June 30, 2016. 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.

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FRANK J. MAUTINO
Auditor General

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