

**STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND**

**FINANCIAL AUDIT
For the Year Ended June 30, 2007**

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2007

AGENCY OFFICIALS

Director	Barry S. Maram
Assistant Director	Vacant
General Counsel	Nancy Shalowitz (7/1/06-12/28/07) Kyong Lee (Acting) (12/31/07 – Current)
Inspector General	John C. Allen
State Purchasing Officer	Thomas Meirink
Division of Finance, Administrator	Michael Moss
Office of Fiscal Management, Chief	Jack Dodds

Department of Healthcare and Family Services offices are located at:

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2200 Churchill Road
Springfield, IL 62702

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2007

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Department of Healthcare and Family Services' Community College Health Insurance Security Fund was performed by the Office of the Auditor General.

Based on their audit, the auditors expressed an unqualified opinion on the Community College Health Insurance Security Fund's financial statements.

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on pages 17-18 of this report as finding 07-1, financial statements not timely.

EXIT CONFERENCE

The finding and recommendation appearing in this report was discussed with Department personnel at an exit conference on May 22, 2008. Attending were:

Department of Healthcare and Family Services

Elvin Lay, Fiscal Chief

Gary Casper, Fiscal Manager

Peggy Edwards, External Audit Liaison

Chris Butkauskas, Administrative Assistant

Office of the Auditor General

Georgine Stephens, Assistance Director

Teresa Davis, Audit Manager

Paula Sorensen, Audit Supervisor

The response to the recommendation was provided by Peggy Edwards on June 5, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying financial statements of the Community College Health Insurance Security Fund of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Healthcare and Family Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College Health Insurance Security Fund of the State of Illinois, Department of Healthcare and Family Services, as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2008 on our consideration of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting of the Community College Health Insurance Security Fund and on our tests of the State of Illinois, Department of Healthcare and Family Services' compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress for the Year Ended June 30, 2007 and the Schedule of Contributions from Employers and Other Contributing Entities for the Year Ended June 30, 2007 on pages 13-14 are not a required part of the financial statements of the Community College Health Insurance Security Fund but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The State of Illinois, Department of Healthcare and Family Services has not presented a management's discussion and analysis for the Community College Health Insurance Security Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

June 12, 2008

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
STATEMENT OF PLAN NET ASSETS
June 30, 2007

(amounts expressed in thousands)

Assets	
Cash and short-term investments	\$ 10,495
Receivables	
Employer	126
Employee	127
Federal government	447
Interest	40
Other receivables	<u>458</u>
Total receivables	<u>1,198</u>
Total assets	<u>11,693</u>
 Liabilities	
Accounts payable and other	2,109
Due to other funds	<u>16</u>
Total current liabilities	2,125
Long-term compensated absences	<u>6</u>
Total liabilities	<u>2,131</u>
 Net assets held in trust for other postemployment benefits	 <u><u>\$ 9,562</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
June 30, 2007

(amounts expressed in thousands)

Additions

Contributions	
Employer	\$ 3,645
State	3,707
Plan member	
Actives	3,645
Retirees	11,544
Consolidated Omnibus Budget Reconciliation Act	<u>11</u>
Total contributions	22,552
Interest income	538
Federal government Medicare Part D	<u>1,343</u>
Total additions	<u>24,433</u>

Deductions

Benefit payments	24,394
Administrative expense	<u>347</u>
Total deductions	<u>24,741</u>

Net increase/(decrease) (308)

**Net assets held in trust for other
postemployment benefits**

Beginning of year	<u>9,870</u>
End of year	<u>\$ 9,562</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The Community College Health Insurance Security Fund (CCHISF) is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Revenues deposited into the Trust are for the sole purpose of providing the health benefits to retirees and their dependents as established under the plan, and associated administrative costs. CCHISF is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees and their dependents of Illinois community college districts throughout the State of Illinois, excluding the City Colleges of Chicago. CCHISF health coverage includes provision for medical, prescription drugs, vision and dental benefits and behavioral health benefits.

Eligibility to participate in the CCHISF is defined in the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries. The Illinois Departments of Healthcare and Family Services (HFS) and Central Management Services (CMS) administer the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts.

A. Summary of Significant Accounting Principles

Basis of Accounting: CCHISF's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and cash in banks for locally held funds. Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash.

Investments/Deposits: The investments are in money market mutual funds. Investments are reported at fair value.

Compensated Absences: The liability for compensated absences reported in the statement of plan net assets consists of unpaid, accumulated vacation and sick leave balances for Department employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards: For the year ended June 30, 2007, the Department implemented Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* which establishes financial reporting standards for postemployment benefit plans other than pension plans.

B. Contribution Information

Membership in the plan consisted of the following at June 30, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	4,853
Waived retirees who may elect healthcare coverage in the future	1,716
Terminated plan members entitled to but not yet receiving benefits	4,588
Active plan members	<u>20,845</u>
Total	<u>32,002</u>
 Number of participating employers	 38

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of .5% of salary. The same section of statute requires every community college district or association of community college boards, that is an employer under the SURS, to contribute to the plan an amount equal to .5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) requires the Healthcare and Family Services' Director to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameters, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

For the year ended June 30, 2007, member annuitants (including their dependent beneficiaries) contributed \$11.5 million, or approximately 51.34% of total premiums through their required contributions, ranging from \$73.43 to \$97.84 per month per retiree, and from \$293.73 to \$350.69, per month per retiree and spouse (assuming Medicare eligibility). Non-Medicare eligible members' required contributions ranged from \$71.03 to \$337.62 per retiree and from \$284.11 to \$1,241.49 per dependent family members. Active employees contributed \$3.6 million, or approximately 16.07% of total premiums, representing .5% of their salaries, and participating college districts contributed \$3.6 million, or 16.07% of total premiums, representing their required .5% contribution. The State contributed \$3.7 million, or approximately 16.52% of total premiums, representing their required contribution of .5% of active employee salaries. The fund received \$1.3 million in Medicare Part D subsidy payments from the federal government.

C. Deposits and Investments

Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Cash on deposit with the State Treasurer totaled \$9,886 thousand and cash on deposit for funds held outside the State Treasurer totaled \$54 thousand at June 30, 2007.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Investments

As of June 30, 2007, the Department had the following investments outside of the State Treasury:

	Fair Value <u>(Thousands)</u>	Book Value <u>(Thousands)</u>	Weighted Average Maturity <u>(Years)</u>
Money market mutual funds	\$ 555	\$ 555	0.090
Total fixed income investments	<u>\$ 555</u>	<u>\$ 555</u>	

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Money Market Mutual Funds and the Illinois Public Treasurers' Investment Pool were rated AAAM by Standard & Poor's.

D. Status and Funding Progress—OPEB Plans

The funded status of the plan, as of the most recent actuarial valuation date, is as follows (amounts expressed in thousands):

Actuarial Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/07	\$9,562	\$1,846,969	\$1,837,407	.52%	\$740,214	248.23%

STATE OF ILLINOIS
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits. Current year presentation does not reflect trend information, as this is the first year of implementation of GASB Statement 43.

The accompanying Schedule of Contributions from Employers and Other Contributing Entities presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. Current year presentation does not reflect trend information, as this is the first year of implementation of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation Date	6/30/07
Actuarial Cost Methods	Projected Unit Credit
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	3.5%
Amortization Period	Open
Investment rate of return*	4.5%
Healthcare Cost Trend Rate	9% Medical/Rx Initial 6% Vision/Dental Initial 5% Ultimate

* Determined as a blended rate of the expected long-term investment returns on plan assets based upon the funded level of the plan as of the valuation date.

STATE OF ILLINOIS
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

E. Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Compensated Absences	\$ 4	\$ 14	\$ 12	\$ 6	\$ 0
Total	<u>\$ 4</u>	<u>\$ 14</u>	<u>\$ 12</u>	<u>\$ 6</u>	<u>\$ 0</u>

F. Commitments and Contingencies

The Department is a party to numerous other legal proceedings, many of which normally occur in the course of operations. These proceedings are not, in the opinion of the Department's legal counsel, likely to have a material adverse impact on the Department's financial position. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another State agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAAL as a
	Value of Assets (a)	Liability (AAL)-- Projected Unit (b)	Accrued Liability (AAL)-- Projected Unit (b)	AAL (UAAAL) (b-a)	Ratio (a/b)	Payroll (c)	Percentage of Covered Payroll ([b-a]/c)
6/30/2007	\$ 9,562	\$ 1,846,969	\$ 1,837,407	\$ 1,837,407	0.52%	\$ 740,214	248.23%

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES
(amounts expressed in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>State Percentage Contributed</u>	<u>Employers Percentage Contributed</u>	<u>Medicare Part D Percentage Contributed</u>
2007	\$ 178,542	2.08%	2.04%	0.75%

This actuarial valuation as of June 30, 2007, is the first actuarial valuation of the Community College Health Insurance Security Fund. This and future valuations will set the Annual Required Contribution (ARC) on a prospective basis, meaning each valuation will set the ARC for the following fiscal year. Because this is the first valuation, the ARC calculated from this valuation will set the ARC for two fiscal years, FY2007 and FY2008. The ARC for FY2007 was determined by applying the Employer ARC determined in this valuation as a percentage of payroll (24.60%) to FY2007 payroll (\$726 million).

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the Community College Health Insurance Security Fund of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2007, and have issued our report thereon dated June 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting of the Community College Health Insurance Security Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

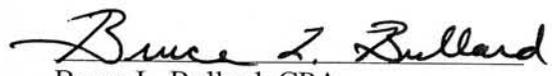
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Healthcare and Family Services' Community College Health Insurance Security Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

June 12, 2008

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

07-1. **FINDING** (Financial statements not timely)

The Illinois Department of Healthcare and Family Services (Department) did not provide the auditors with timely financial statements for the Community College Health Insurance Security Fund.

The Department did not provide complete financial statements for the year ended June 30, 2007 to the auditors until March 3, 2008. Financial statements were received nine months after the year end.

Concepts Statement of Governmental Accounting Standards Board (GASBCS 1, paragraph 66) states “if financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had.”

The Department’s management has the ultimate responsibility for the Department’s internal control system to ensure that the financial statements are timely.

The Department stated that the delay in completing the financial statements was attributed to the implementation of Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (GASB43)*. As part of the implementation, an actuary firm was acquired through the bid process and significant collaboration was necessary between the Department and the Governor’s Office of Management and Budget, causing an overall delay in the reporting process.

The late submission of the financial statements causes delays in the audit process and impacts State-wide reporting. (Finding Code No. 07-1)

RECOMMENDATION

We recommend the Department review its current process for the preparation of the Community College Health Insurance Security Fund’s financial statements and allocate the resources necessary to ensure the financial statements are completed on a timely basis.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

DEPARTMENT RESPONSE

The Department agrees with the finding. When a new standard is implemented it is critical that due care be given to ensure proper implementation. The implementation of this standard required that an actuarial valuation be performed. Once received, this valuation had to be reviewed by management within the Department and the Governor's Office of Management and Budget (GOMB) to ensure that the information was accurate. Once the review was final, the financial statements were completed and supplied to the Auditor General's office. The extended timeframe necessary for completion of the report was four months following the initial due date of the statements. Although the Department recognizes the importance of providing timely financial information, we also realize the need for accurate data. As the initial implementation has now been completed, the Department does not anticipate delays in FY' 08.