



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, 2021

Release Date: June 9, 2022

FINDINGS THIS AUDIT: 3				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>	2020		21-3	
<b>Category 2:</b>	1	2	3	2019		21-1*	
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>	* Finding 2019-002 was reported in the Department's State Compliance Examination for the two years ended June 30, 2019.			
<b>TOTAL</b>	1	2	3				
<b>FINDINGS LAST AUDIT: 2</b>							

**INTRODUCTION**

This digest covers the Department of Central Management Services' (Department) Financial Audit as of and for the year ended June 30, 2021. The Department's State Compliance Examination will be issued in a separate report.

**SYNOPSIS**

- (21-02) The Department did not adequately monitor billings for the Professional Services Fund and the Health Insurance Reserve Fund.
- (21-03) The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits plans was complete and accurate.

**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**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2021**

<b>FINANCIAL INFORMATION - Governmental funds (in thousands)</b>	<b>FY 2021</b>	<b>FY 2020</b>
<b>REVENUES</b>		
Interest and other investment income.....	\$ 14	\$ 2,689
Other.....	2,687	1,015
Federal Operating Revenues.....	2,254	84
Total revenues.....	<u>4,955</u>	<u>3,788</u>
<b>EXPENDITURES</b>		
General government.....	175,283	182,633
Education.....	881,756	925,226
Employment and economic development.....	30,928	29,944
Health and social services.....	368,614	379,762
Transportation.....	194,677	174,672
Public protection and justice.....	394,874	407,885
Environment and business regulation.....	67,304	69,599
Total expenditures.....	<u>2,113,436</u>	<u>2,169,721</u>
<b>OTHER SOURCES (USES)</b>		
Appropriations from State resources.....	2,261,009	2,273,474
Lapsed appropriations.....	(7,034)	(2,047)
Receipts collected and transmitted to State Treasury.....	(1,946)	(943)
Amount of SAMS transfers-in.....	(924)	(814)
Amount of SAMS transfers-out.....	13,000	-
Transfers-in.....	-	745
Transfers-out.....	-	(745)
Total other sources (uses).....	<u>2,264,105</u>	<u>2,269,670</u>
Net change in fund balance.....	155,624	103,737
Fund balance (deficit) July 1, as restated.....	<u>(1,324,058)</u>	<u>(1,435,062)</u>
Fund balance (deficit) June 30.....	<u>\$ (1,168,434)</u>	<u>\$ (1,331,325)</u>
<b>SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)</b>		
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>ASSETS</b>		
Unexpended appropriations.....	\$ 34,130	\$ 44,286
Cash equity with State Treasurer.....	26,455	1,129
Cash and cash equivalents.....	1,436	-
Other receivables, net.....	1,345	74
Due from other Department funds.....	108	2,343
Due from other State funds.....	46	-
Securities lending collateral equity of State Treasurer.....	3,402	-
Total assets.....	<u>\$ 66,922</u>	<u>\$ 47,832</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Accounts payable and accrued liabilities.....	\$ 24,104	\$ 2,010
Intergovernmental payables.....	74	183
Due to other State fiduciary funds.....	10	-
Due to other Department funds.....	988,099	1,142,573
Due to other State funds.....	219,193	233,765
Due to State of Illinois component units.....	145	171
Matured portion of long-term obligations.....	238	391
Obligations under securities lending of State Treasurer.....	3,402	-
Deferred inflows of resources - unavailable revenue.....	91	64
Total liabilities and deferred inflows of resources.....	<u>1,235,356</u>	<u>1,379,157</u>
<b>FUND BALANCE (DEFICIT)</b>		
Fund balance (deficit).....	<u>(1,168,434)</u>	<u>(1,331,325)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 66,922</u>	<u>\$ 47,832</u>
<b>AGENCY DIRECTOR</b>		
During Audit Period: Janel Forde		
Currently: Janel Forde		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE MONITORING OF INTERNAL SERVICE FUND BILLINGS**

The Department did not adequately monitor billings for the Professional Services Fund and the Health Insurance Reserve Fund.

During testing of internal service fund billings, amounts due from other agencies, and amounts due from component units we noted the following:

- Several State employees are collectively represented by the Downstate Teamsters, Cook County Teamsters Local No. 700, Fox Valley Teamsters Local No. 330, and Teamsters Local No. 916 at the:
  - Department;
  - Department of Corrections (DOC);
  - Department of Innovation and Technology (DoIT);
  - Department of Human Services (DHS);
  - Department of Transportation (DOT);
  - Illinois State Police (ISP), which are paid for by the ISP, Illinois Gaming Board (IGB), Illinois State Toll Highway Authority (ISTHA), and DOT;
  - Department of Veterans' Affairs (DVA);
  - Department of Natural Resources (DNR); and,
  - Department of Employment Security (covered position currently vacant).

Pursuant to the various agreements, these employees covered by these agreements can choose to opt-out of the State Employee Group Insurance Program (SEGIP)'s healthcare benefits and receive their employee healthcare through the union's plan. Those employees who opt-out will participate in SEGIP for vision, dental, and life insurance benefits as an employee and then transition to SEGIP for all of their Other Postemployment Benefits (OPEB), including healthcare benefits, at retirement. In order to pay the unions for these employees' healthcare costs, SEGIP initially pays the union and the Department then prepares supplemental billings for SEGIP to recover these costs and collect the associated retiree portion of group insurance contributions for SEGIP from each employee's employer. These payments are made to the Health Insurance Reserve Fund.

**\$6,522,614 in supplemental billings were not actively monitored to ensure timely payment**

As of June 30, 2021, \$6,522,614 in supplemental billings were due to the Department. We noted the Department did not actively monitor its amounts due from multiple State agencies and ISTHA to ensure amounts due were timely collected. As such, we noted six of nine (67%) agencies made no payments or payments significantly lower than what was due since 2018.

After these issues were brought to the attention of the Department, \$3,735,687 was collected for these billings by December 2021.

**Professional services charges incorrectly calculated**

- The Department develops charges for professional services to be paid into the Professional Services Fund by using the last full fiscal year's expenditures, devising a percentage of the total expenditures, and then prorating the amounts to the agencies by fund and dollar amount that receive professional services from the Department. This percentage is then multiplied by the professional services annual budget to determine the amount billed to each agency. During testing we noted agencies receiving professional services from the Department were billed based on the percentages established for Fiscal Year 2020 instead of Fiscal Year 2021. This resulted in 41 of 45 (91%) agencies receiving professional services from the Department being billed for the incorrect amount. The amounts under billed to agencies ranged from \$200 to \$269,200, and the amounts overbilled to agencies ranged from \$200 to \$704,900. (Finding 2, pages 67-69)

We recommended the Department ensure internal service fund billings are properly calculated and that the Department timely follows up on outstanding billings.

**Department accepted recommendation**

The Department accepted the finding and recommendation. The Department stated they have implemented processes and procedures to complete timely monitoring and follow up on internal service fund billings to ensure agencies are paying these billings in the fiscal year where the liability is incurred. Regarding the professional services billing, the Department stated that it has updated its procedures and review processes to help ensure billings are properly calculated.

**LACK OF CENSUS DATA RECONCILIATIONS**

The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

**Census data reconciliation not performed**

During testing, we noted the Department had not performed an initial complete reconciliation of its census data recorded by both the State Employees' Retirement System of Illinois (SERS) and the Bureau of Benefits within the State of Illinois, Department of Central Management Services (Bureau) to the personnel records of the Department's employees to establish a base year of complete and accurate census data.

**Process to reconcile incremental changes not developed**

After establishing a base year, the Department had not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their

census data records and reconcile these changes back to the Department's internal supporting records. (Finding 3, pages 70-72)

**Department accepted recommendation**

We recommended the Department work with both SERS and its Bureau to develop an annual reconciliation process of its active members' census data from the Department's underlying personnel records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the Department may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

The Department accepted the finding and recommendation and stated the Bureau of Personnel (BoP) has completed the initial reconciliation of census data. BoP is prepared to ensure annual reconciliations are completed in conjunction with SERS.

**OTHER FINDING**

The remaining finding pertains to the failure to determine premiums that allow for establishment of an actuarial sound reserve for the Community College Health Insurance Program. We will review the Department's progress towards the implementation of our recommendation in our next financial audit.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2021, 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

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