

State Employees' Retirement System of the State of Illinois

Compliance Examination of Census Data – Employer OPEB

For the Year Ended June 30, 2022
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

**State Employees' Retirement System
of the State of Illinois
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

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of the State of Illinois
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State of Illinois, Office of the Secretary of State

**State of Illinois
Office of the Secretary of State
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Agency Officials

Secretary of State (through 1/8/23)	The Honorable Jesse White
Secretary of State (1/9/23 – present)	The Honorable Alexi Giannoulis
Deputy Secretary of State/Chief of Staff (through 1/8/23)	Mr. Thomas N. Benigno
Deputy Secretaries of State (1/9/23 – present)	Mr. Scott Burnham & Ms. Hanah Jubeh
Director of Internal Audit	Ms. Stell Mallios
General Counsel (through 1/8/23)	Ms. Irene Lyons
General Counsel (1/9/23 – present)	Mr. Rob Gamrath
Inspector General	Mr. Paul Thompson
Director of Budget and Fiscal Management/Chief Fiscal Officer (through 2/28/23)	Ms. Jacqueline Price
Director of Budget and Fiscal Management/Chief Fiscal Officer (3/1/23 – present)	Ms. Amanda Trimmer
Director of Accounting Revenue (through 11/30/22)	Mr. John Grzymiski
Director of Accounting Revenue (Acting) (12/1/22 – 6/4/23)	Mr. Adam Ausmus
Director of Accounting Revenue (6/5/23 – Present)	Ms. Dana Homer

Agency Offices

The Agency's primary administrative offices are located at:

Howlett Building
501 S. 2nd St.
Springfield, Illinois 62756

Capitol Building
401 S. 2nd St., Room 213
Springfield, Illinois 62701

Chicago Location
115 S. Lasalle St., Suite 300
Chicago, Illinois 60603



OFFICE OF THE SECRETARY OF STATE

ALEXI GIANNOULIAS • Secretary of State

MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Office of the Illinois Secretary of State (Office) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Office's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Office has materially complied with the specified requirements listed below.

- A. All of the Office's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Office to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.

The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retirees benefits under a pay as you go methodology, remitted by the Office for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Office and recorded within the

Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Office of the Illinois Secretary of State

SIGNED ORIGINAL ON FILE

Alexi Giannoulis, Secretary of State

SIGNED ORIGINAL ON FILE

Amanda Trimmer, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Rob Gamrath, General Counsel

**State of Illinois
Office of the Secretary of State
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	2	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	8	2021/2021	Inaccurate Census Data	Significant Deficiency and Noncompliance
2022-002	10	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance

Exit Conference

The Office waived an exit conference in correspondence from Amanda Trimmer, CFO/Director, Budget and Fiscal Management, on June 26, 2024. The responses to the recommendations were provided by Amanda Trimmer, CFO/Director, Budget and Fiscal Management, in a correspondence dated June 26, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Honorable Alexi Giannoulis
Secretary of State
State of Illinois, Office of the Secretary of State

External Auditors
State of Illinois, Office of the Secretary of State

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Office of the Illinois Secretary of State (Office) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Office's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Office to CMS through the System.

The significant elements of census data of the Plan include each member's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Office for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Office and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Office's compliance with the specified requirements.

In our opinion, the Office complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-001 and 2022-002.

The Office's responses to the census data compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Office's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Office is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

The Office's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Office's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Office of the Secretary of State
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data

The Office of the Illinois Secretary of State (Office) had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) for use in the applicable annual actuarial valuations.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Office's employees are members of both the pension plan administered by the State Employees' Retirement System (System) and the Plan sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the census examination, it was identified that:

- During backwards testing, the auditors identified one of sixty (2%) employees included on Office payroll reports with an incorrect gender.
- During the review of the Office's reconciliation of its census data recorded by the System and State to its internal records, it was noted that, as of March 2023, the reconciliation had not yet been communicated to the System.

The result of the error in the first bullet above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the errors immaterial to the plan level valuations as a whole.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expenses, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Office make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Office's activities.

**State of Illinois
Office of the Secretary of State
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data (Continued)

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Office officials indicated these exceptions were due to human error.

Failure to ensure census data reported to the System and State was complete and accurate may result in significant misstatements of the Office's financial statements and reduce the overall accuracy of Plan-related OPEB liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies. In addition, failure to reconcile active members' census data reported to and held by the System and State to the Office's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Office's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2022-001, 2021-001)

Recommendation:

We recommend the Office strengthen controls to ensure accurate census data is provided to the System and State for use in the annual actuarial valuation process. If differences are noted between the Office's data and the System and State's data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data.

Further, we recommend the Office strengthen controls to complete timely reconciliations of its census data with the System.

Office Response:

The Office accepts this recommendation. The Office did perform the reconciliation of census data but it was inadvertently sent late. The Office will strengthen its internal controls to meet the deadlines and continue to work with the System to perform future reconciliations.

**State of Illinois
Office of the Secretary of State
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-002 Failure to Pay Correct Employer Group Insurance Contributions

The Office of the Secretary of State (Office) failed to ensure employer group insurance contributions remitted by the Office for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Office. We noted the Office had 3 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Office was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$13,110. The Office failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Office for employer group insurance contributions including the incorrect rates. The Office did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-002)

Recommendation:

We recommend the Office ensure employer group insurance contributions paid agree with rates published by CMS.

Office Response:

The Office does not agree with the finding. At the time Central Management Services informed agencies they were going to use a third-party administrator to process group insurance deductions, we were told we were not allowed to change any fields related to insurance deductions and that any changes had to be made through the third-party administrator. If the policies have now changed that agencies are required to reconcile the data they receive with published insurance rates, then Central Management Services should have communicated that to all user agencies.

State of Illinois, Department of Children and Family Services

**State of Illinois
Department of Children and Family Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Director	Heidi E. Mueller (March 22, 2024 – present) Heidi E. Mueller (Acting) (February 1, 2024 – March 21, 2024) Marc D. Smith (June 15, 2021 – January 31, 2024)
Executive Deputy Director	Tierney Stutz (September 5, 2023 – present) Tierney Stutz (Acting) (March 6, 2023 – September 4, 2023) Vacant (January 14, 2023 – March 5, 2023) Meaghan Jorgensen (August 16, 2022 – January 13, 2023) Vacant (January 1, 2022 – August 15, 2022) Derek Hobson (April 1, 2020 – December 31, 2021)
Chief of Staff	Jassen Strokosch (July 16, 2020 – present)
Chief Financial Officer	Kiersten Neswick (February 16, 2022 – present) Joseph McDonald (Acting) (January 1, 2022 – February 15, 2022) Royce Kirkpatrick (May 16, 2019 – December 31, 2021)
General Counsel	Brian Dougherty (March 13, 2023 – present) Carol Melton (Acting) (September 22, 2022 – March 12, 2023) Amanda Wolfman (June 18, 2019 – September 21, 2022)
Chief Internal Auditor	Phillip Dasso (January 4, 2021 – present)

Administrative Offices

<u>Springfield Office</u> 406 East Monroe Springfield, Illinois 62701	<u>Chicago Office</u> 100 West Randolph, Suite 6-100 Chicago, Illinois 60601
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MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Children and Family Services (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

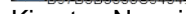
Sincerely,

State of Illinois, Department of Children and Family Services


SIGNED ORIGINAL ON FILE


Heidi E. Mueller, Director

SIGNED ORIGINAL ON FILE


Kiersten Neswick, Chief Financial Officer

SIGNED ORIGINAL ON FILE


Brian Dougherty, General Counsel

State of Illinois
Department of Children and Family Services
Compliance Examination of Census Data – Employer OPEB

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	18	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

The Department waived an exit conference in a correspondence from Clayton Murphy, Audit Liaison, on June 17, 2024. The response to the recommendation was provided by Clayton Murphy, Audit Liaison, in a correspondence dated June 28, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Heidi E. Mueller
Director
State of Illinois, Department of Children and Family Services

External Auditors
State of Illinois, Department of Children and Family Services

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Children and Family Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.



- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each member's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Department's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Department's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Department of Children and Family Services
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Department of Children and Family Services (Department) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Department. We noted the Department had 1 employee enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for the employee enrolled in the CDHP, the Department was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$1,331. The Department failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Department for employer group insurance contributions including the incorrect rates. The Department did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Department ensure employer group insurance contributions paid agree with rates published by CMS.

Department Response:

DCFS agrees with the recommendation. DCFS will ensure the correct group insurance contributions are correct by auditing a small sample each pay period to ensure the rates match the rates CMS benefits provided for the current fiscal year.

DCFS also contacted our payroll processor, DHS, to discuss additional solutions. They stated they will be building a program to catch any variance in these contributions as well, which DCFS will be added to.

State of Illinois, Department of Corrections

**State of Illinois
Department of Corrections
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Director – Acting (04/01/23 – Present)	Ms. Latoya Hughes
Director (07/01/21 – 03/31/23)	Mr. Rob Jeffreys
Assistant Director (04/11/24 - Present)	Ms. Alyssa Williams
Assistant Director – Acting (07/08/22 – 04/10/24)	Ms. Alyssa Williams
Assistant Director (07/01/21 – 07/07/22)	Vacant
Chief of Staff (04/01/23 – Present)	Vacant
Chief of Staff (08/16/22 – 03/31/23)	Ms. Latoya Hughes
Chief of Staff (07/02/22 – 08/15/22)	Vacant
Chief of Staff (07/01/21 – 07/01/22)	Ms. Camile Lindsay
Chief Legal Counsel	Mr. Robert Fanning
Chief Administrative Officer	Mr. Jared Brunk
Chief Fiscal Officer	Mr. James Deen
Chief Internal Auditor	Ms. Amy Jenkins
Chief Information Officer (06/16/24 – Present)	Mr. Jerald Setnick***
Chief Information Officer - Acting (05/4/24 – 06/15/24)	Vacant
Chief Information Officer (02/01/22 – 05/3/24)	Mr. Christopher McDaniel***
Chief Information Officer (11/15/21 – 01/31/22)	Vacant
Chief Information Officer (09/01/21 – 11/14/21)	Mr. Krishna Brahmamdam**
Chief Information Officer (07/01/21 – 08/31/21)	Mr. Kelton Ingram

** On a seventy-five day contract

*** Position transitioned to DoIT – No longer IDOC employee

Correctional Industries

Chief Executive Officer (07/16/21 – Present)	Ms. Kim Larson
Chief Executive Officer (07/01/21 – 07/15/21)	Vacant
Assistant Chief Executive Officer (07/01/23 – Present)	Mr. Greg Runyan
Assistant Chief Executive Officer (07/01/21 – 06/30/23)	Vacant
Chief Financial Manager (07/01/20 – Present)	Vacant

Department Office

1301 Concordia Court
Springfield, Illinois 62794



The Illinois Department of Corrections

1301 Concordia Court, P.O. Box 19277 • Springfield, IL 62794-9277 • (217) 558-2200 TDD: (800) 526-0844

MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Corrections (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Department of Corrections

SIGNED ORIGINAL ON FILE

Latoya Hughes, Acting Director

SIGNED ORIGINAL ON FILE

James Deen, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Robert Fanning, Chief Legal Counsel

**State of Illinois
Department of Corrections
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Exit Conference

The Department waived an exit conference in a correspondence from Amy Jenkins, Chief Internal Auditor, on June 28, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Ms. Latoya Hughes
Acting Director
State of Illinois, Department of Corrections

External Auditors
State of Illinois, Department of Corrections

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Corrections (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each member's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

State of Illinois, Department of Human Services

**State of Illinois
Department of Human Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Secretary	Dulce Quintero, Designate (10/9/2023 – Present) Grace B. Hou (3/18/2019 – 10/8/2023)
Assistant Secretary (Operations)	Ryan Thomas (10/9/2023 – Present) Dulce Quintero (5/6/2019 – 10/8/2023)
Assistant Secretary (Programs)	Kirstin Chernawsky (5/1/2024 – Present) Vacant (1/1/2022 – 4/30/2024) Kia Coleman (7/1/2019 – 12/31/2021)
Assistant Secretary (Firearm Violence Prevention*)	Quiwana Bell (10/1/2023 – Present) Vacant (6/1/2023 – 9/30/2023) Chris Patterson (10/18/2021 – 5/31/2023)
Associate Secretary (Early Childhood, Family, and Community)	Vacant (5/1/2024 – Present) Kirstin Chernawsky (4/1/2023 – 4/30/24)
Associate Secretary (Behavior Health)	David T. Jones (4/1/2022 – Present)
Associate Secretary (Program Division Operations, Emergency Management, Special Projects)	Clodoaldo Rodrigo Carrillo (5/1/23 – Present)
Budget Director	Tiffany Blair
Business Services Director	Paul Hartman
Chief of Staff	Amanda Elliott (12/24/2022 – Present) Ryan Croke (4/24/2019 – 12/31/2022)
Chief Financial Officer	Robert Brock
Chief Operating Officer	Francisco DuPrey
Office of Contract Administration Director	Brian Bond
Chief Internal Auditor	Amy Macklin
Agency Procurement Officer	Jean Sandstrom
Fiscal Services Director	Mark Bartolozzi (2/1/2022 – Present) Vacant (1/1/2022 – 1/31/2022) Connie Sabo (7/1/2019 – 12/31/2021)
Chief People Officer	Britany Hendricks (11/8/2021 – Present) Vacant (11/6/2021 – 11/7/2021) Alvin Schexnider (3/16/2021 – 11/5/2021)

**State of Illinois
Department of Human Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials (Continued)

Office of Communications Director	Rachel Otwell (8/1/2023 – Present) Marisa Kollias (7/6/2020 – 9/29/2023)
Chief Legislative Liaison	Andre Jordan (2/16/2024 – Present) Michelle Jenkins (3/1/2023 – 2/15/2024) Emily Katalinich (3/25/2022 – 2/28/2023) Vacant (1/15/2022 – 3/24/2022) Andre Jordan (10/1/2019 – 1/14/2022)
Hispanic/Latino Affairs Director	Ramon Ortiz, Interim (12/16/2023 – Present) Vacant (11/1/2023 – 12/15/2023) Karina Lopez (2/1/2023 – 10/31/2023) Elizabeth Diaz Castillo (12/1/2016 – 1/31/2023)
General Counsel	John F. Schomberg
Inspector General	Peter Neumer
Strategy, Equity & Transformation Director	Caronina Grimble
Division of Substance Use Prevention & Recovery Director	Laura Garcia (03/09/2022 – Present) David Jones (10/19/2020 – 3/31/2022)
Division of Rehabilitation Services Director	Rahnee Patrick
Division of Developmental Disabilities Director	Tonya Piephoff (6/16/2023 – Present) Sarah Bylica (Myerscough-Mueller) (Acting 6/13/2022 – 9/15/2023) Allison Stark (9/23/2019 – 6/12/2022)
Division of Mental Health Director	David Albert
Division of Early Childhood Director	Bethany Patten (4/1/2023 – Present)
Division of Family Community Services Director	Leslie Cully (4/29/2024 – Present) Tim Verry (3/4/2019 – 4/28/2024)
Office of Clinical, Administrative and Program Support Manager	Bryant Davis (11/1/2023 – Present) Vacant (9/1/2023 – 10/31/2023) Jennifer Aring (7/1/2019 – 8/31/2023)
Grant Administration Director	Jose Ponce Martinez
Civil Affairs Director & EEO/AA Officer	Patrick Morris (1/17/2023 – Present) Vacant (12/3/2022 – 1/16/2023) Anthony Ficarelli (8/1/2022 – 12/2/2022) Robert Grindle (3/16/2022 – 07/31/2022) Jayesh Hines-Shah (4/16/2021 – 3/15/2022)

**State of Illinois
Department of Human Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials (Continued)

Labor Relations Ed Jackson

* Authorization for this position was established in June 2021

Department Offices

Springfield Office
100 South Grand Avenue, East
Springfield, Illinois 62726

Chicago Office
401 South Clinton Street
Chicago, Illinois 60607



JB Pritzker, Governor

Dulce M. Quintero, Secretary Designate

100 South Grand Avenue, East • Springfield, Illinois 62762
401 South Clinton Street • Chicago, Illinois 60607

MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

All:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Human Services (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Department of Human Services

SIGNED ORIGINAL ON FILE

Dulce M. Quintero, Secretary Designate

SIGNED ORIGINAL ON FILE

Robert Brock, Chief Financial Officer

SIGNED ORIGINAL ON FILE

John F. Schomberg, General Counsel

**State of Illinois
Department of Human Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	35	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

The Department waived an exit conference in a correspondence from Christopher Finley, Internal Auditor and Audit Liaison, on June 18, 2024. The Department provided a response to the finding by Christopher Finley, Audit Liaison, on June 28, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Dulce Quintero
Secretary Designate
State of Illinois, Department of Human Services

External Auditors
State of Illinois, Department of Human Services

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Human Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each member's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Department's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Department's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Department of Human Services
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Department of Human Services (Department) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Department. We noted the Department had 18 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Department was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$62,570. The Department failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Department for employer group insurance contributions including the incorrect rates. The Department did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Department ensure employer group insurance contributions paid agree with rates published by CMS.

Department Response:

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department is currently in the research phase of implementing a programmatic check to ensure the proper amounts are applied to the payroll system on a semi-monthly basis.

State of Illinois, Department of Lottery

**State of Illinois
Department of Lottery
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Director (03/22/22 – Present)	Mr. Harold Mays
Director (Acting) (07/01/19 – 03/21/22)	Mr. Harold Mays
Chief of Staff	Mr. Scott Gillard
Chief Financial Officer (3/25/2024 – Present)	Ms. Amber Chappell
Chief Financial Officer (Acting) (10/07/23 – 3/24/24)	Ms. Amber Chappell
Chief Financial Officer (10/01/23 – 10/06/24)	Vacant
Chief Financial Officer (07/01/21 – 09/30/23)	Ms. Carol Radwine
General Counsel	Mr. Cornell Wilson III
Chief Operations Officer	Mr. Matthew Bell
Chief Transformation Officer	Mr. Joseph Logue
Chief Internal Auditor	Mr. Darick Clark

Lottery Control Board Officer

Chair	Ms. Diana Sheehan
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Lottery Control Board Members

Member (08/23/21 – Present)	Ms. Sarah Alter
Member (07/02/21 – 08/22/21)	Vacant
Member (07/01/20 – 07/01/21)	Ms. Sarah Alter
Member	Ms. Alejandra Garza
Member	Ms. Diana Sheehan
Member	Vacant
Member	Vacant

Department Offices

Chicago Office
122 S. Michigan Avenue, 19th Floor
Chicago, Illinois 60603

Springfield Office
404 N. 5th Street
Springfield, Illinois 62702



MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Lottery (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

J.B. Pritzker
Governor

Harold Mays
Director

Illinois Lottery
122 S. Michigan Avenue
19th Floor
Chicago, IL 60603
(312) 793-3030 Main
(312) 793-5514 Fax

404 N. 5th Street
Springfield, IL 62702
(217) 524-5147 Main
(217) 785-3990 Fax

illinoislottery.com



Sincerely,

State of Illinois, Department of Lottery

SIGNED ORIGINAL ON FILE

7928F082AC4C474
Harold Mays, Director

SIGNED ORIGINAL ON FILE

8E5646B4D6E34E4
Amber Chappell, Chief Financial Officer

SIGNED ORIGINAL ON FILE

F966478549AC445
Cornell Wilson, General Counsel

**State of Illinois
Department of Lottery
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	43	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

The Department waived an exit conference in a correspondence from Darick Clark, Chief Internal Auditor, on July 3, 2024. The response to the recommendation was provided by Darick Clark, Chief Internal Auditor, in a correspondence dated July 5, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Lottery Control Board
State of Illinois, Department of Lottery

Mr. Harold Mays
Director
State of Illinois, Department of Lottery

External Auditors
State of Illinois, Department of Lottery

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Lottery (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each member's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Department's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Department's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Department of the Lottery
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Department of the Lottery (Department) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Department. We noted the Department had 2 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Department was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$4,702. The Department failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Department for employer group insurance contributions including the incorrect rates. The Department did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Department ensure employer group insurance contributions paid agree with rates published by CMS.

Department Response:

The Department accepts the finding. The Department will evaluate existing internal controls related to employer healthcare contributions and will consider additional controls as deemed necessary.

State of Illinois, Department of Healthcare and Family Services

**State of Illinois
Department of Healthcare and Family Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Director(Acting)	(01/01/2024 – present) (through 12/31/2023)	Elizabeth M. Whitehorn Theresa Eagleson
Assistant Director		Jenny Aguirre
Chief of Staff	(01/01/2024 – current) (through 12/31/2023)	Dana Kelly Ben Winick
Chief Operating Officer		Vacant
Chief Internal Auditor		Jamie Nardulli
General Counsel	(03/01/2024 – present) (through 02/29/2024)	Kathleen Hill Steffanie Garrett
Inspector General		Brian Dunn

Deputy Directors

Community Outreach		Vacant
Administrative Operations	(11/16/21 – present) (through 11/15/21)	Tanya Ford Vacant
Human Resources		Terri Shawgo
New Initiatives	(05/16/2024 – present) (through 05/15/2024)	Laura Phelan Vacant

Division Administrators

Child Support Services		Brian Tribble
Finance		Michael Casey
Medical Eligibility	(1/16/22 – present)	Tracy Keen
Medical Eligibility	(through – 1/15/22)	Jane Longo
Medical Programs		Kelly Cunningham
Personnel & Administrative Services (Interim)		Ruth Ann Day

Department Offices

201 South Grand Avenue East Springfield, Illinois 62763	401 South Clinton Chicago, Illinois 62607
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HFS

Illinois Department of
Healthcare and Family Services

JB Pritzker, Governor
Elizabeth M. Whitehorn, Director

401 South Clinton Street
Chicago, Illinois 60607

Telephone: +1-312-793-4792
TTY: +1-800-526-5812

MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Healthcare and Family Services (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. Except as noted in the Statement of Findings, the employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Department of Healthcare and Family Services

SIGNED ORIGINAL ON FILE

Dana Kelly on behalf of Elizabeth M. Whitehorn, Acting Director

SIGNED ORIGINAL ON FILE

Michael Casey, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Kathleen Hill, General Counsel

State of Illinois
Department of Healthcare and Family Services
Compliance Examination of Census Data – Employer OPEB

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2022-001	51	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance

Exit Conference

The Department waived an exit conference in a correspondence from Jamie Nardulli, Chief Internal Auditor, on June 17, 2024. The response to the recommendation was provided by Jamie Nardulli, Chief Internal Auditor, in a correspondence dated June 28, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Ms. Elizabeth M. Whitehorn
Director
State of Illinois, Department of Healthcare and Family Services

External Auditors
State of Illinois, Department of Healthcare and Family Services

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Healthcare and Family Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth;
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Department's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Department's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Department of Healthcare and Family Services
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Department of Healthcare and Family Services (Department) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Department. We noted the Department had 6 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Department was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$26,795. The Department failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Department for employer group insurance contributions including the incorrect rates. The Department did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Department ensure employer group insurance contributions paid agree with rates published by CMS.

Department Response:

The Department accepts the recommendation and is developing a process for validation of Group Insurance Reimbursements.

State of Illinois, Department of Revenue

**State of Illinois
Department of Revenue
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Department Officials

Director	David Harris
Assistant Director	Vacant
Associate Director	Africa (7/16/20 – Present) Vacant (7/1/20 – 7/15/20)
Chief of Staff	Jim Nichelson
Chief Financial Officer	Cory Staley
Chief Internal Auditor	Nikki Lanier
General Counsel	Vacant (5/25/24 – Present) Colin Bowes-Carlson (9/1/21 – 5/24/24) Brian Fliflet, Acting (7/1/20 – 1/31/22)

Department Offices

Springfield Location

Willard Ice Building
101 West Jefferson Street
Springfield, Illinois 62702

Des Plaines Location

Maine North Regional Building
9511 Harrison Avenue
Des Plaines, Illinois 60016

Marion Location

2309 West Main Street, Suite 114
Marion, Illinois 62959

Chicago Location

James R. Thompson Center
100 West Randolph Street
Chicago, Illinois 60601

Fairview Heights Location

15 Executive Drive, Suite 2
Fairview Heights, Illinois 62208

Rockford Location

200 South Wyman Street
Rockford, Illinois 61101

101 West Jefferson Street
Springfield IL 62702
217.785.7570

555 West Monroe Street
Chicago IL 60661
312.814.3190



JB Pritzker
Governor

David Harris
Director

STATE OF ILLINOIS
DEPARTMENT OF REVENUE
MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Department of Revenue (Department) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Department's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Department has materially complied with the specified requirements listed below.

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender,
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Department of Revenue

SIGNED ORIGINAL ON FILE

SIGNED ORIGINAL ON FILE

Cory Staley, Chief Financial Officer

**State of Illinois
Department of Revenue
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	59	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

The Department waived an exit conference in correspondence from Nikki Lanier, Chief Internal Auditor, on June 18, 2024. The response to the recommendation was provided by Nikki Lanier, Chief Internal Auditor, in a correspondence dated June 28, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Mr. David Harris
Director
State of Illinois, Department of Revenue

External Auditors
State of Illinois, Department of Revenue

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Department of Revenue (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

- 1) the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Department's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Department to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth;
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Department for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Department and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

In our opinion, the Department complied with the specified requirements, in all material respects, during:

- 1) the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2) the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Department's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Department's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Department's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Department of Revenue
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Department of Revenue (Department) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Department. We noted the Department had 15 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Department was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$59,576. The Department failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Department for employer group insurance contributions including the incorrect rates. The Department did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Department ensure employer group insurance contributions paid agree with rates published by CMS.

Department Response:

Accepted. The Department will implement controls to reconcile the employer group insurance contributions paid with rates published by CMS.

State of Illinois, Capital Development Board

**State of Illinois
Capital Development Board
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Board Officials

Executive Director (05/27/2024 – Present)	Tamakia Edwards
Acting Executive Director (05/01/2024 – 05/26/2024)	Amy Romano
Executive Director (5/14/2019 – 04/30/2024)	James Underwood
Chief of Staff (9/1/2023 – Present)	Darnita A. Lee
Chief of Staff (5/13/2023 – 8/31/2023)	Vacant
Chief of Staff (8/17/2020 – 5/12/2023)	Tamakia Edwards
Chief Financial Officer	Paula Sorensen
General Counsel	Amy Romano
Deputy Director of Operations	Kathryn Martin
Deputy Director of Construction (1/1/2023 – Present)	Lisa Hennigh
Deputy Director of Construction (8/15/2020 – 12/31/2022)	Vacant
Chief Internal Auditor	Jennifer Boen

CDB Board Members

Chair (4/22/2019 – present)	Eileen Rhodes
Member (8/3/2002 – present)	Glyn Ramage
Member (11/2/2015 – present)	Pamela McDonough
Member (8/23/2019 – present)	Beverly Potts
Member (5/14/2021 – present)	Saul J. Morse
Member (11/02/2021 – 5/01/2024)	Hipolito (Paul) Roldan
Member (1/28/2022 – 6/30/2023)	David Sidney
Member (11/09/2023 – 5/14/2024)	Tamakia Edwards

Board Office

300 William G. Stratton Building
401 South Spring Street
Springfield, Illinois 62706



MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Capital Development Board (CDB) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the CDB's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the CDB has materially complied with the specified requirements listed below.

- A. All of the CDB's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the CDB to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the CDB for the

Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Capital Development Board

SIGNED ORIGINAL ON FILE

Tamakia Edwards, Executive Director

SIGNED ORIGINAL ON FILE

Paula Sorensen, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Amy Romano, General Counsel

**State of Illinois
Capital Development Board
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	67	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

The CDB waived an exit conference in a correspondence from Jennifer Boen, Chief Internal Auditor, on June 17, 2024. The response to the recommendation was provided by Jennifer Boen, Chief Internal Auditor, in a correspondence dated June 27, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Governing Board
State of Illinois, Capital Development Board

Mr. James Underwood
Executive Director
State of Illinois, Capital Development Board

External Auditors
State of Illinois, Capital Development Board

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System) we have examined compliance by management of the State of Illinois, Capital Development Board (CDB) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

1. the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
2. the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the CDB is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the CDB's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the CDB's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the CDB to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the CDB for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the CDB complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the CDB complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the CDB's compliance with the specified requirements.

In our opinion, the CDB complied with the specified requirements, in all material respects, during:

1. the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
2. the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

CDB's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. CDB's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the CDB is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the CDB's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the CDB's compliance with the specified requirements and to test and report on the CDB's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the CDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDB's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

CDB's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. CDB's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Capitol Development Board
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Capitol Development Board (CDB) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the CDB. We noted the CDB had 1 employee enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for the employee enrolled in the CDHP, the CDB was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$3,194. The CDB failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the CDB to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the CDB for employer group insurance contributions including the incorrect rates. The CDB did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the CDB ensure employer group insurance contributions paid agree with rates published by CMS.

CDB Response:

CDB agrees with the finding and appreciates the thorough review of the State Employees' Group Insurance Program that discovered the overcharge. CDB will work with CMS to develop a monitoring process.

State of Illinois, Environmental Protection Agency, Fund 270 – Water Revolving Fund

**State of Illinois
Environmental Protection Agency
Fund 270 - Water Revolving Fund
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Agency Officials

Interim Director (07/16/2024 – Present)	Mr. James Jennings
Director (through 07/15/2024)	Mr. John J. Kim
Deputy Director (07/16/2024 – Present)	Vacant
Deputy Director (04/04/23 – 7/15/2024)	Mr. James Jennings
Deputy Director (07/01/20 – 04/03/23)	Mr. Todd Rettig
Chief of Staff	Ms. Laura Roche
Chief Legal Counsel (07/01/2024 – Present)	Mr. Andrew Armstrong
Chief Legal Counsel (through 06/30/2024)	Mr. Charles W. Gunnarson
Chief Financial Officer	Mr. Jacob Poeschel
Chief Internal Auditor (06/01/2024 – Present)	Ms. Sally Burton
Chief Internal Auditor (02/01/2024 – 05/31/2024)	Vacant
Chief Internal Auditor (01/01/21 – 01/31/2024)	Ms. Ellen Jennings Fairfield

Agency Office

1021 North Grand Avenue East
Springfield, Illinois 62794



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 NORTH GRAND AVENUE EAST, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276 • (217) 782-3397

JB PRITZKER, GOVERNOR

JAMES JENNINGS, INTERIM DIRECTOR

MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (Agency) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Agency's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Agency has materially complied with the specified requirements listed below.

- A. All of the Agency's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Agency to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Agency for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

2125 S. First Street, Champaign, IL 61820 (217) 278-5800
115 S. LaSalle Street, Suite 2203, Chicago, IL 60603
1101 Eastport Plaza Dr., Suite 100, Collinsville, IL 62234 (618) 346-5120
9511 Harrison Street, Des Plaines, IL 60016 (847) 294-4000

595 S. State Street, Elgin, IL 60123 (847) 608-3131
2309 W. Main Street, Suite 116, Marion, IL 62959 (618) 993-7200
412 SW Washington Street, Suite D, Peoria, IL 61602 (309) 671-3022
4302 N. Main Street, Rockford, IL 61103 (815) 987-7760

PLEASE PRINT ON RECYCLED PAPER

Sincerely,

State of Illinois, Environmental Protection Agency

SIGNED ORIGINAL ON FILE

James Jennings, Interim Director

SIGNED ORIGINAL ON FILE

Jacob Poeschel, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Andrew Armstrong, Chief Legal Counsel

**State of Illinois
Environmental Protection Agency
Fund 270 - Water Revolving Fund
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2022-001	75	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance

Exit Conference

The Agency waived an exit conference in a correspondence from Sally Burton, Chief Internal Auditor, on June 17, 2024. The response to the recommendation was provided by Pam Smith, Division of Administration and Human Resources Manager, in a correspondence dated June 27, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Mr. James Jennings
Interim Director
State of Illinois, Environmental Protection Agency

External Auditors
State of Illinois, Environmental Protection Agency

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (Agency) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

1. the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
2. the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Agency is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Agency's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Agency to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Agency for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Agency's compliance with the specified requirements.

In our opinion, the Agency complied with the specified requirements, in all material respects, during:

1. the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
2. the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Agency's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Agency's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Agency's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Agency's compliance with the specified requirements and to test and report on the Agency's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Agency's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Agency's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Environmental Protection Agency
Fund 270 - Water Revolving Fund
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Environmental Protection Agency (Agency) failed to ensure employer group insurance contributions remitted by the Agency for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Agency. We noted the Agency had 18 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Agency was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$59,327. The Agency failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every agency which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Agency for employer group insurance contributions including the incorrect rates. The Agency did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Agency ensure employer group insurance contributions paid agree with rates published by CMS.

Agency Response:

Accepted. Illinois Environmental Protection Agency (IEPA) will work with the Illinois Department of Central Management Services (CMS) to obtain documentation needed to verify the State Employees' Group Insurance Costs are correctly billed to our Agency. In addition, we will work with CMS to understand how they ensure amounts entered by their third-party vendor, and subsequently billed to our agency, are correct. We will also work to recoup the overpayment.

Illinois State Board of Education

**State of Illinois
Illinois State Board of Education
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Agency Officials

State Superintendent of Education (02/23/23 – Present)	Dr. Tony Sanders
State Superintendent of Education (Interim) (02/01/23 – 02/22/23)	Krish Mohip
State Superintendent of Education (Through 01/31/23)	Dr. Carmen I. Ayala
Chief of Staff (07/01/23 – Present)	Dr. Kimako Patterson
Chief Legal Officer (10/01/23 – Present)	Kristen Kennedy
Interim Chief Legal Officer (07/01/23 – 09/30/23)	Kristen Kennedy
Legal Officer (09/21/21 – 06/30/23)	Jeremy Duffy
Acting Legal Officer (Through 8/31/21)	Kristen Kennedy
Chief Internal Audit Officer	Tassi Maton
Chief Education Officer – Instruction (07/01/23 – Present)	Jason Helfer, Ph.D.
Chief Education Officer – Operations (07/01/23 – Present)	Krish Mohip
Education Officer (Through 09/23/22)	Dr. Ernesto Matias
Chief Financial Officer (04/17/23 – Present)	Dr. Matthew Seaton
Financial Officer (Interim) 02/15/23 – 04/30/23)	Scott Harry
Financial Officer (02/11/23 – 02/14/23)	Vacant
Financial Officer (Through 02/10/23)	Robert Wolfe
Chief Operating Officer	Melissa Oller
Chief Policy & Communications Officer	Irma Snopek
Research & Evaluation Officer (Interim) (03/01/23 – 06/30/23)	Dr. Melissa DiGangi
Research & Evaluation Officer (Through 03/06/23)	Dr. Brenda M. Dixon

Board Officers

Chairperson (09/16/22 – Present)	Dr. Steven Isoye
Chairperson (08/01/22 – 09/15/22)	Vacant
Chairperson (Through 07/31/22)	Dr. Darren Reisberg
Vice-Chairperson	Dr. Donna S. Leak
Secretary (02/16/23 – Present)	Dr. Christine Benson
Secretary (Through 01/18/23)	Jaime Guzman

**State of Illinois
Illinois State Board of Education
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Governing Board Members

Member (01/18/23 – Present)
Member (Through 01/18/23)

Dr. James D. Anderson
Dr. David Lett

Member (01/23/23 – Present)
Member (Through 01/23/23)

Dr. Patricia Marie Nugent
Susie Morrison

Member (1/13/23 – Present)
Member (07/01/22 – 01/12/23)

Dr. Anna Grassellino
Vacant

Member

Roger Eddy

Member (07/21/23 – Present)
Member (03/13/23 – 07/20/23)
Member (08/23/21 – 03/12/23)
Member (Through 08/22/21)

Laura Gonzalez
Vacant
Dr. Nike Vielle
Vacant

Member (06/26/23 – Present)
Member (01/19/23 – 06/25/23)
Member (07/01/22 – 01/18/23)

Dr. Sherly Chavarria
Vacant
Jaime Guzman

Agency Offices

555 W. Monroe Street, Suite 900
Chicago, Illinois 60661

Alzina Building
100 N. First Street
Springfield, Illinois 62777

MANAGEMENT ASSERTION LETTER

07/31/2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Illinois State Board of Education (Agency) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Agency's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Agency has materially complied with the specified requirements listed below.

- A. All of the Agency's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Agency to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Agency for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Agency and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Illinois State Board of Education

SIGNED ORIGINAL ON FILE

Dr. Tony Sanders, State Superintendent of Education

SIGNED ORIGINAL ON FILE

Dr. Matthew Seaton, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Kristen Kennedy, Chief Legal Officer

**State of Illinois
Illinois State Board of Education
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Exit Conference

The Agency waived an exit conference in a correspondence from Tassi Maton, Internal Audit Officer, on July 16, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Governing Board
State of Illinois, Illinois State Board of Education

Dr. Tony Sanders
State Superintendent of Education
State of Illinois, Illinois State Board of Education

External Auditors
State of Illinois, Illinois State Board of Education

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Illinois State Board of Education (Agency) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

1. the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
2. the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Agency is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Agency's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.

- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Agency to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Agency for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Agency and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Agency's compliance with the specified requirements.

In our opinion, the Agency complied with the specified requirements, in all material respects, during:

- 1. the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2. the proportionate share allocation year for the Plan ended June 30, 2023.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Agency's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Agency's compliance with the specified requirements and to test and report on the Agency's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

Illinois Student Assistance Commission

**State of Illinois
Illinois Student Assistance Commission
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Commission Officials

Executive Director	Eric Zarnikow
Chief Financial Officer (Interim) (01/01/24 – Present)	Rolake Adedara
Chief Financial Officer (Up to 12/31/23)	Shoba Nandhan
Chief Investments Officer (09/25/22 – Present)	Vacant
Chief Investments Officer (07/01/21 – 09/24/22)	Carmen Heredia-Lopez
Director of Investments (09/24/22 – Present)	Roger Rojas
General Counsel (Interim) (03/21/24 – Present)	Lisa Murphy-Coveny
General Counsel (11/16/23 – 03/21/24)	William G. Farrar
General Counsel (Interim) (Up to 10/31/23)	Richard Nowell
Chief Internal Audit Officer	Kishor Desai

Governing Board Members

Chairman	Kevin B. Huber
Vice-Chair of the Board	Elizabeth V. Lopez
Commissioner (06/08/23 – Present)	Vacant
Commissioner (Up to 06/07/23)	Niketa Brar
Commissioner	James A. Hibbert
Commissioner	Maureen Amos
Commissioner	Dr. Jonathan “Josh” Bullock
Commissioner	Franciene Sabens
Commissioner	Darryl Arrington
Commissioner	Thomas Dowling
Student Commissioner	Payton Ade

Commission Offices

<u>Deerfield Office</u> 1755 Lake Cook Road Deerfield, Illinois 60015-5209	<u>Springfield Office</u> 500 West Monroe Springfield, Illinois 62704	<u>Chicago Office</u> 160 North Lasalle Street Chicago, Illinois 60601
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MANAGEMENT ASSERTION LETTER

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the State of Illinois, Illinois Student Assistance Commission (Commission) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Commission's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Commission has materially complied with the specified requirements listed below.

- A. All of the Commission's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Commission to CMS. The significant elements of census data of the Plan include each member's:
 - social security number;
 - first and last name;
 - date of birth; and,
 - gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Commission for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Commission and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Illinois Student Assistance Commission

SIGNED ORIGINAL ON FILE

Eric Zarnikow, Executive Director

SIGNED ORIGINAL ON FILE

Rolake Adedara, Interim Chief Financial Officer

SIGNED ORIGINAL ON FILE

Lisa Murphy-Coveny, Interim General Counsel

**State of Illinois
Illinois Student Assistance Commission
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Finding

2022-001	92	New	Failure to Pay Correct Employer Group Insurance Contributions	Significant Deficiency and Noncompliance
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Exit Conference

Finding 2022-001 and the associated recommendation appearing in this report were discussed with Commission personnel at an exit conference on June 21, 2024.

Attending were:

Illinois Student Assistance Commission:

Eric Zarnikow	Executive Director
Rolake Adedara	Interim Chief Financial Officer
Juliana Fuhrmann	Human Resources Assistant
Dana Mills Danner	Audit Liaison

**State of Illinois
Illinois Student Assistance Commission
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Summary (Continued)

OAG:

Dennis M. Gibbons	Senior Audit Manager
-------------------	----------------------

RSM US LLP:

Bill Sarb	Partner
Chad McCoy	Audit Manager
Russell Matos	Senior Audit Associate
Cathy Mei	Audit Associate

The response to the recommendation was provided by Dana Mills Danner, Audit Liaison, in a correspondence dated June 25, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Governing Board
State of Illinois, Illinois Student Assistance Commission

Mr. Eric Zarnikow
Executive Director
State of Illinois, Illinois Student Assistance Commission

External Auditors
State of Illinois, Illinois Student Assistance Commission

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the State of Illinois, Illinois Student Assistance Commission (Commission) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

1. the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
2. the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Commission's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.



- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Commission to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Commission for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations. Further, General Revenue Fund payroll paid by the Commission and recorded within the Statewide Accounting Management System under detail object code 1120 was complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Commission complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Commission complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

In our opinion, the Commission complied with the specified requirements, in all material respects, during:

- 1. the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2. the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Commission's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Commission's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Commission's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Commission's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Illinois Student Assistance Commission
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions

The Illinois Student Assistance Commission (Commission) failed to ensure employer group insurance contributions remitted by the Department for the State Employees' Group Insurance Program (SEGIP) to the Department of Central Management Services (CMS) during the allocation year ended June 30, 2023, were in accordance with employer group insurance contribution rates published.

Employer group insurance contributions represent the employer's cost of group insurance coverage. The employer group insurance contributions are charged to non-exempt funds and are comprised of the employee costs plus the retiree cost not paid by other sources on average for each employee. Annually, CMS determines the employer group insurance contribution rates for each group insurance program to be paid by the Commission. We noted the Commission had 3 employees enrolled in the Consumer Driven Health Plan (CDHP). During testing, we noted for all employees enrolled in the CDHP, the Commission was charged and paid the incorrect employer group insurance contribution rates, resulting in overpayments totaling \$11,181. The Commission failed to verify the employer group insurance contribution rates paid agreed to CMS published rates.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) requires every department which has members paid from funds other than the General Revenue Fund to cooperate with the Department of Central Management Services and the Governor's Office of Management and Budget in order to assure that the specified proportion of the State's cost for group life insurance, the program of health benefits and other employee benefits is paid by such funds.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The overpayments occurred due to an error in CMS's third-party administrator's system utilized in billing the Commission for employer group insurance contributions including the incorrect rates. The Commission did not identify the error due to oversight.

Failure to ensure employer group insurance contributions agree to CMS published rates could result in misstatements in SEGIP's allocation schedules, which are a critical part of the Fiscal Year 2024 financial reporting process at various State agencies and public universities. (Finding Code No. 2022-001)

Recommendation:

We recommend the Commission ensure employer group insurance contributions paid agree with rates published by CMS.

**State of Illinois
Illinois Student Assistance Commission
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

**Finding No. 2022-001 Failure to Pay Correct Employer Group Insurance Contributions
(Continued)**

Commission Response:

The Illinois Student Assistance Commission (the Commission) believes that the primary responsibility for ensuring the accuracy and completeness of costs for insurance benefits charged to State Agencies by the Department of Central Management Services (CMS), lies with CMS and its third-party administrator.

Employer rate tables are not distributed to Agency Group Insurance Representatives (those tables are posted by CMS personnel to a SharePoint site). Employee changes to benefit plans are processed via a self-service portal with the third-party administrator and the Commission is not notified of employee changes or elections. Furthermore, the costs charged to the Commission's non-GRF funds for these benefits are not clearly identifiable on the detailed payroll listing provided by CMS to the Commission at the time the voucher is created.

The Commission believes that a periodic reconciliation of costs associated with employee benefit selections, to the charges vouchered by CMS to the Commission's non-GRF funds would be appropriate. This would require CMS to provide a detailed report of benefit elections by employee and the related employer contributions to be charged for each pay period, before the voucher is issued, at which point Commission personnel would be able to verify that the employer contribution rates are accurate.

Illinois Workers' Compensation Commission, Self-Insurers Security Fund

**State of Illinois
Illinois Workers' Compensation Commission
Self-Insurers Security Fund
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Commission Officials

Chair	Mr. Michael Brennan
Chief Fiscal Officer	Mr. Paul Fichtner
General Counsel	Mr. Ronald Rascia
Manager of Self-Insurance	Ms. Maria Sarli-Dehlin

Self-Insurers Advisory Board¹

Chair	Mr. Michael Brennan
Public Member (05/18/23 – Present)	Mr. Shuaib Ahmed
Public Member (12/20/22 – 05/17/23)	Vacant
Public Member (07/01/22 – 12/19/22)	Mr. Paul Bergmann
Member (05/18/23 – Present)	Mr. Toni Herwaldt
Member (07/01/22 – 05/17/23)	Vacant
Member (05/18/23 – Present)	Ms. Gina Koenig
Member (12/23/22 – 05/17/23)	Vacant
Member (07/01/22 – 12/22/22)	Mr. Alex Alexandrou
Member	Mr. David Taylor
Member	Ms. Joan Vincenz
Member	Mr. Michael Castro

Commission Offices

Chicago Office
69 W. Washington Street, Suite 900
Chicago, Illinois 60602

Springfield Office
400 S. Ninth Street, Suite 106
Springfield, Illinois 62701

Peoria Office
401 Main Street, Suite 640
Peoria, Illinois 61602

Collinsville Office
1803 Ramada Blvd
Collinsville, IL 62234

¹ The Workers' Compensation Act (Act) (820 ILCS 305/4a-3) requires the Board consist of the Chair of the Commission and six members who are experts in self-insurance for workers' compensation liabilities appointed by the Chair, one of whom is a member of the public. Under the Act (820 ILCS 305/4a-1), the Board provides for the continuation of benefits due from and unpaid by insolvent self-insurers and reviews and recommends a disposition on all initial and renewal applications to self-insure by private entities.



Illinois Workers' Compensation Commission

69 W. Washington St., Suite 900
Chicago, IL 60602
312-814-6500

JB Pritzker, Governor

Michael J. Brennan, Chairman

July 31, 2024

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, rules, and regulations applicable to identifying and enrolling eligible employees of the Self-Insurers Security Fund (Fund 940) of the State of Illinois, Illinois Workers' Compensation Commission (Commission) and reporting their significant elements of census data and related employer contributions within the State Employees' Retirement System (System) and the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS). We are responsible for and we have established and maintained an effective system of internal controls over the specified requirements. We have performed an evaluation of the Commission's compliance with the specified requirements during the applicable periods noted below. Based on this evaluation, we assert the Commission has materially complied with the specified requirements listed below.

- A. All of the Commission's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Commission to CMS. The significant elements of census data of the Plan include each member's:
 - a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions (for funds other than the General Revenue Fund), which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Commission for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Sincerely,

State of Illinois, Illinois Workers' Compensation Commission

SIGNED ORIGINAL ON FILE

Michael Brennan, Chair

SIGNED ORIGINAL ON FILE

Paul Fichtner, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Ronald Rascia, General Counsel

**State of Illinois
Illinois Workers' Compensation Commission
Self-Insurers Security Fund
Compliance Examination of Census Data – Employer OPEB**

For the Year Ended June 30, 2022

Compliance Report

Summary

The compliance testing of census data and related employer contributions within the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

Accountant's Report

The Independent Accountant's Report on Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2022-001	101	2021/2021	Inaccurate Census Data	Significant Deficiency and Noncompliance

Exit Conference

The Commission waived an exit conference in correspondence from Paul Fichtner, Chief Financial Officer, on June 17, 2024. The response to the recommendation was provided by Paul Fichtner, Chief Financial Officer, in a correspondence dated June 17, 2024.

**Independent Accountant's Report
on Compliance and on Internal Control Over Compliance**

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

Honorable Susana M. Mendoza
Comptroller
State of Illinois

Self-Insurers Advisory Board
State of Illinois, Illinois Workers' Compensation Commission

Mr. Michael Brennan
Chair
State of Illinois, Illinois Workers' Compensation Commission

External Auditors
State of Illinois, Illinois Workers' Compensation Commission

Ms. Raven DeVaughn
Director
State of Illinois, Department of Central Management Services

External Auditors
State of Illinois, Department of Central Management Services

Report on Compliance

As Special Assistant Auditors for the Auditor General of the State Employees' Retirement System (System), we have examined compliance by management of the Self-Insurers Security Fund (Fund 940) of the State of Illinois, Illinois Workers' Compensation Commission (Commission) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during:

1. the census data accumulation year for the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) ended June 30, 2022; and
2. the proportionate share allocation year for the Plan ended June 30, 2023.

Management of the Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. All of the Commission's employees required to be enrolled in the System in accordance with applicable laws, rules, and regulations were properly enrolled in the System during the census data accumulation year ended June 30, 2022.
- B. The changes in significant elements of census data for employees required to be enrolled in the Plan, in accordance with the individual employee's election to participate, occurring during the census data accumulation year ended June 30, 2022, were completely and accurately reported by the Commission to CMS through the System.

The significant elements of census data of the Plan include each employee's:

- a. social security number;
 - b. first and last name;
 - c. date of birth; and,
 - d. gender.
- C. The employer group insurance contributions for funds other than the General Revenue Fund, which includes contributions for both current employees and an additional amount to cover retiree benefits under a pay as you go methodology, remitted by the Commission for the Plan to CMS during the allocation year ended June 30, 2023, were complete, accurate, and in accordance with applicable laws, rules, and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Commission complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Commission complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

In our opinion, the Commission complied with the specified requirements, in all material respects, during:

- 1. the census data accumulation year for the Plan administered by CMS ended June 30, 2022; and,
- 2. the proportionate share allocation year for the Plan ended June 30, 2023.

However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2022-001.

The Commission's response to the census data compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Commission's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

The Commission's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Commission's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
July 31, 2024

**State of Illinois
Illinois Workers' Compensation Commission
Self-Insurers Security Fund
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data

The Illinois Workers' Compensation Commission (Commission) had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Group Insurance Program (Plan) administered by the State of Illinois, Department of Central Management Services (CMS) for use in the applicable annual actuarial valuations.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Commission's employees are members of both the pension plan administered by the State Employees' Retirement System (System) and the Plan sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the census examination, it was identified that:

- During backwards testing, the auditors identified one of twenty-three (4%) employees included on Commission payroll reports with an incorrect gender.
- During the review of the Commission's reconciliation of its census data recorded by the System and State to its internal records, it was noted that the reconciliation was not communicated to the System in a timely manner (submission was nearly three months after the due date requested by the System).

The result of the error in the first bullet above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the errors immaterial to the plan level valuations as a whole.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expenses, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

**State of Illinois
Illinois Workers' Compensation Commission
Self-Insurers Security Fund
Compliance Examination of Census Data – Employer OPEB
Schedule of Findings**

For the Year Ended June 30, 2022

Finding No. 2022-001 Inaccurate Census Data (Continued)

Further, the State Records Act (5 ILCS 160/8) requires the Commission make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Commission officials indicated these exceptions were due to human error.

Failure to ensure census data reported to the System and State was complete and accurate may result in significant misstatements of the Commission's financial statements and reduce the overall accuracy of Plan-related OPEB liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies. In addition, failure to reconcile active members' census data reported to and held by the System and State to the Commission's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Commission's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2022-001, 2021-001)

Recommendation:

We recommend the Commission strengthen controls to ensure accurate census data is provided to the System and State for use in the annual actuarial valuation process. If differences are noted between the Commission's data and the System and State's data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data.

Further, we recommend the Commission strengthen controls to complete timely reconciliations of its census data with the System.

Commission Response:

The Commission agrees with the finding. All deficiencies noted have been corrected.