



**STATE OF ILLINOIS  
DEPARTMENT OF  
CENTRAL MANAGEMENT SERVICES**

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**UNIVERSITY BENEFITS SCHEDULES  
EXAMINATION  
For the Year Ended June 30, 2020**

Performed as Special Assistant Auditors for the  
Auditor General, State of Illinois



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STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
EXAMINATION

For the Year Ended June 30, 2020

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STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
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For the Year Ended June 30, 2020

**AGENCY OFFICIALS**

|   |                           |
|---|---------------------------|
| Director (2/18/2020 - Present)                    | Ms. Janel Forde           |
| Director (Acting) (7/1/2019 - 2/17/2020)          | Ms. Janel Forde           |
| Assistant Director (Acting) (7/15/2019 - Present) | Mr. Michael Merchant      |
| Assistant Director (7/1/2019 - 7/14/2019)         | Vacant                    |
| Chief of Staff                                    | Mr. Anthony Pascente      |
| Chief Administrative Officer                      | Mr. Mark Mahoney          |
| Chief Operating Officer                           | Ms. Ayese gul Kalaycioglu |
| Chief Fiscal Officer (Acting)                     | Ms. Karen Pape            |
| General Counsel (7/22/19 – Present)               | Mr. Terrence Glavin       |
| General Counsel (7/1/19 - 7/21/19)                | Vacant                    |
| Chief Internal Auditor                            | Mr. Jack Rakers           |

Agency main offices are located at:

715 Stratton Office Building  
401 South Spring Street  
Springfield, IL 62706



October 23, 2020

Sikich LLP  
3201 W. White Oaks Dr., Suite 102  
Springfield, IL 62704

Re: University Benefits Schedules for the year ended June 30, 2020

Ladies and Gentlemen:

We are responsible for determining the methodology and allocation of insurance premiums paid on-behalf of the State Universities of the State of Illinois. We are responsible for disseminating the allocations to the Illinois Office of the Comptroller (IOC), State Universities of the State of Illinois for purposes of those entities' use in preparing their respective GAAP reporting packages and financial statements, as applicable. We have performed an evaluation of compliance by the State of Illinois, Department of Central Management Services (Department) with the following assertions during the period ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the Department has materially complied with the assertions below.

- A. The Department developed and documented a methodology to allocate insurance premiums paid on behalf of the State Universities of the State of Illinois.
- B. The Department prepared the allocation as an estimate based on information available as of July 24, 2020 in order to provide the information to the appropriate parties in time for their respective reporting deadlines.
- C. The Department maintained controls over the development, updating, maintenance and storage of the fiscal year 2020 University Benefits Schedules spreadsheet distributed to the State Universities of the State of Illinois and the related data and records supporting the spreadsheet whether in electronic or manual format.
- D. The Department established and maintained a system of monitoring and reviewing the calculations used in the preparation of the fiscal year 2020 University Benefits Schedules spreadsheet.

- E. The Department allocated insurance premiums in a consistent, accurate and reasonable manner to the State Universities of the State of Illinois.
- F. The Department has verified the accuracy of the supporting information used in preparing the fiscal year 2020 University Benefits Analysis.
- G. The Department utilizes the services of an independent actuary to review the reasonableness of the State Employee Group Insurance Program (SEGIP) premium equivalent rate development calculations prior to the beginning of the fiscal year for which they will be published and utilized. This includes review of certain elements such as calculations of claims incurred but not reported; enrollment summaries and projections; and numerous exhibits which project and accumulate costs by plan and enrollment type. While the independent actuary did not review the annual cost per employee calculation contained in the Reimbursement Rate Summary for All Employees, referred to as Exhibit 45-A, the cost per employee calculation is an accumulation of the aforementioned elements which are reviewed by the independent actuary. The specific data files and calculations underlying the "FY 2020 Reimbursement Rate Summary for All Employees" (FY 2020 Exhibit 45-A) utilized for the FY 2020 University Benefit Analysis were included in the data files reviewed by the independent actuary as part of the fiscal year 2020 rate development reviewed by the independent actuary in their letter dated May 3, 2019.

State of Illinois, Department of Central Management Services

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Janel L. Forde, Director

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Karen Pape, Acting Fiscal Officer

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Terrence Glavin, General Counsel

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
EXAMINATION

For the Year Ended June 30, 2020

**EXAMINATION REPORT**

**SUMMARY**

The examination of the accompanying University Benefits Schedules was performed by Sikich LLP and was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on the examination of the University Benefits Schedules expressed an unmodified opinion on the State of Illinois, Department of Central Management Services' (Department) University Benefits Schedules presented in accordance with the criteria in Notes 1 and 2 to the Schedules.

**SUMMARY OF FINDINGS**

| <u>Number of</u>                                  | <u>Current</u><br><u>Report</u> | <u>Prior</u><br><u>Report</u> |
|---|---------------------------------|-------------------------------|
| 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</u><br><u>Reported</u> | <u>Description</u>   |
|-----------------|-------------|--------------------------------------|--|
| 2020-001        | 7-8         | NEW/2020                             | Inaccurate Data Used For the Calculation of the University Benefits Analysis |

**EXIT CONFERENCE**

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison, on October 29, 2020. The response to the recommendation was provided by Amy Lange in a correspondence dated October 23, 2020.

3201 W. White Oaks Dr., Suite 102  
Springfield, IL 62704  
217.793.3363

**SIKICH.COM**

## **INDEPENDENT ACCOUNTANT'S REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have examined the accompanying Fiscal Year 2020 University Benefits Analysis and State Employees Group Insurance Program Adjusted Reimbursement Rates, and the related Notes to the Schedules, collectively referred to as the University Benefits Schedules, for the year ended June 30, 2020. The State of Illinois, Department of Central Management Services' management is responsible for presenting the University Benefits Schedules in accordance with the criteria set forth in Notes 1 and 2. Our responsibility is to express an opinion on the University Benefits Schedules based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the University Benefits Schedules are presented in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the University Benefits Schedules. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the University Benefits Schedules, 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.

In our opinion, the University Benefits Schedules for the year ended June 30, 2020 are presented in accordance with the criteria set forth in Notes 1 and 2, in all material respects.

As more fully described in the accompanying schedule of findings as item 2020-001, our examination disclosed errors in the data used by the State of Illinois, Department of Central Management Services, resulting in misstatements of the estimated cost of health insurance benefits paid on behalf of the University of Illinois.

The State of Illinois, Department of Central Management Services' response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Central Management Services' response and, accordingly, we express no opinion on the response.

There were no immaterial findings that have been excluded from this report.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the State Universities of the State of Illinois, and State of Illinois, Department of Central Management Services management, and is not intended to be and should not be used by anyone other than these specified parties.

Springfield, Illinois  
October 23, 2020



STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
EXAMINATION

For the Year Ended June 30, 2020

**SCHEDULE OF FINDINGS**

**2020-001. FINDING** (Inaccurate Data Used For the Calculation of the University Benefits Analysis)

During our examination of the University Benefits Analysis (UBA) for the year ended June 30, 2020, we noted errors in the data used by the Department of Central Management Services (Department), resulting in misstatements of the estimated cost of health insurance benefits paid on-behalf of the University of Illinois (U of I).

During our testing of non-exempt contributions, we noted \$786,030 in payments were entered into the Benefits Reimbursement System under the U of I for U of I Cooperative Extension Services (CES) retirees in error. The payments made by the U of I were for the CES retirees' portion of post-employment health insurance benefits, not the State's portion of those benefits. As such, these payments did not contribute to the State's total estimated net cost of operating the State Employees Group Insurance Program (SEGIP) represented by the \$19,193 average cost per employee. The UBA should only include payments for active employees which contribute to the total estimated net costs of SEGIP. This resulted in a \$786,030 overstatement of non-exempt contributions and an understatement in benefit payments paid on-behalf of the U of I.

This error was determined not to be material to the UBA; therefore, the Department did not adjust the UBA.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires that all State agencies establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that fiscal information is properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports.

The Department stated the errors were a result of CES not having a separate pay code or appropriations established in the Benefits Reimbursement System; therefore, the monthly payments were entered into the Benefits Reimbursement System using the pay code for U of I. When the UBA was prepared, these payments were overlooked.

Failure to ensure the accuracy and reasonableness of data used in the UBA could lead to misstatements in the amounts of health insurance coverage costs paid by the Department on behalf of State universities. The State Comptroller and State universities rely on calculations performed by the Department for annual GAAP reporting. (Finding Code No. 2020-001)

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
EXAMINATION

For the Year Ended June 30, 2020

**2020-001. FINDING** (Inaccurate Data Used For the Calculation of the University Benefits Analysis)

**RECOMMENDATION**

We recommend the Department ensure the preparation of the University Benefits Analysis is based on accurate and reliable data.

**DEPARTMENT RESPONSE**

The Department agrees with the finding. Creating a new code in the system and adding to the reporting should ensure details for the different University of Illinois accounts are accurately reported and included in the UBA. The Department has already started working with the Department of Innovation and Technology to make these changes in the system.

STATE OF ILLINOIS  
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UNIVERSITY BENEFITS SCHEDULES  
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Fiscal Year 2020 University Benefits Analysis  
For the Year Ended June 30, 2020

| Agency | University                 | Non-Exempt Contributions | Calculated Non-Exempt FTEs | Total Employees | Est Exempt Employees | Est Exempt Funding | Total Est Contributions |
|--------|----------------------------|--------------------------|----------------------------|-----------------|----------------------|--------------------|-------------------------|
|        |                            | (a)                      | (b)=(a)/19,193             | (c)             | (d)=(c)-(b)          | (e)=(d)*19,193     | (f)=(a)+(e)             |
| 608    | Chicago State Univ         | 300,313                  | 16                         | 587             | 571                  | 10,965,978         | 11,266,291              |
| 612    | Eastern Illinois Univ      | 436,540                  | 23                         | 1,044           | 1,021                | 19,600,952         | 20,037,492              |
| 616    | Governors State Univ       | 395,992                  | 21                         | 540             | 519                  | 9,968,228          | 10,364,220              |
| 620    | Northeastern Illinois Univ | 2,122,658                | 111                        | 916             | 805                  | 15,458,130         | 17,580,788              |
| 628    | Western Illinois Univ      | 969,745                  | 51                         | 1,228           | 1,177                | 22,599,259         | 23,569,004              |
| 636    | Illinois State Univ        | 1,475,072                | 77                         | 2,959           | 2,882                | 55,317,015         | 56,792,087              |
| 644    | Northern Illinois Univ     | 2,521,169                | 131                        | 2,675           | 2,544                | 48,820,106         | 51,341,275              |
| 664    | Southern Illinois Univ     | 7,698,183                | 401                        | 6,289           | 5,888                | 113,006,594        | 120,704,777             |
| 676    | University of Illinois     | 66,193,244               | 3,449                      | 25,018          | 21,569               | 413,977,230        | 480,170,474             |
| 677    | U of I Foundation*         | 2,468,493                | n/a                        | 124             | n/a                  | n/a                | 2,468,493               |
| 678    | U of I Alumni Assn*        | 212,639                  | n/a                        | 11              | n/a                  | n/a                | 212,639                 |
|        | Total                      | 84,794,048               | 4,280                      | 41,391          | 36,976               | 709,713,492        | 794,507,540             |

FY2020 Avg. Annual Cost per Employee (actuarial report exhibit 45A)= 19,193

\* The U of I Foundation and U of I Alumni Assn does not have any exempt employees.

NOTE: Attached notes are an integral part of this analysis.

## State Employees Group Insurance Program Adjusted Reimbursement Rates

|                                  | Projected Enrollment | Adjusted Monthly Cost | Projected Total Monthly Cost |
|----------------------------------|----------------------|-----------------------|------------------------------|
| <b>Quality Care Health Plan</b>  |                      |                       |                              |
| Projected Cost for FY 2020       |                      | \$ 1,641.86           |                              |
| Adjustment for FY 2013           |                      | \$ 13.85              |                              |
| Adjustment for FY 2014           |                      | \$ (20.10)            |                              |
| Adjustment for FY 2015           |                      | \$ (72.44)            |                              |
| Adjustment for FY 2016           |                      | \$ (116.57)           |                              |
| Adjustment for FY 2017           |                      | \$ (77.68)            |                              |
| Adjustment for FY 2018           |                      | \$ (237.89)           |                              |
| Employee                         | 15,447               | \$ 1,131.03           | \$17,470,983.18              |
| One Dependent                    | 2,566                | \$ 1,023.04           | \$2,625,110.34               |
| Two Plus Dependent               | 3,427                | \$ 1,274.50           | \$4,367,714.25               |
| Medicare Dependent               | 30                   | \$ 483.07             | \$14,492.22                  |
| <b>Managed Care Health Plans</b> |                      |                       |                              |
| Projected Cost for FY 2020       |                      | \$ 1,500.84           |                              |
| Adjustment for FY 2013           |                      | \$ 13.85              |                              |
| Adjustment for FY 2014           |                      | \$ (20.10)            |                              |
| Adjustment for FY 2015           |                      | \$ (72.44)            |                              |
| Adjustment for FY 2016           |                      | \$ (116.57)           |                              |
| Adjustment for FY 2017           |                      | \$ (77.68)            |                              |
| Adjustment for FY 2018           |                      | \$ (237.89)           |                              |
| Employee                         | 79,879               | \$ 990.01             | \$79,080,877.26              |
| One Dependent                    | 16,603               | \$ 626.58             | \$10,403,050.98              |
| Two Plus Dependent               | 30,829               | \$ 1,106.91           | \$34,125,035.53              |
| Medicare Dependent               | 89                   | \$ 460.44             | \$40,979.32                  |
| <b>Quality Care Dental Plan</b>  |                      |                       |                              |
| Employee                         | 94,260               | \$ 24.97              | \$2,354,057.87               |
| One Dependent                    | 18,983               | \$ 16.93              | \$321,438.23                 |
| Two Plus Dependent               | 33,906               | \$ 49.09              | \$1,664,309.01               |
| Total Monthly Cost               |                      |                       | <u>\$ 152,468,048.20</u>     |
| Total Employees Covered          |                      |                       | <u>95,326</u>                |
| Monthly Cost Per Employee        |                      |                       | \$ 1,599.44                  |
| 12 months                        |                      |                       | 12                           |
| Annual Cost Per Employee         |                      |                       | <u>\$ 19,193.26</u>          |

NOTE: Attached notes are an integral part of this Schedule.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

UNIVERSITY BENEFITS SCHEDULES  
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Notes to the Schedules  
For the Year Ended June 30, 2020

**1. Background**

The Department of Central Management Services (Department) pays for the group insurance costs for certain university employees on behalf of all State-operated public universities in Illinois. The Department refers to university employees as either exempt or non-exempt as follows:

- Exempt employees – The employer does not reimburse CMS for the employer’s share of Group Insurance. The employer’s share is paid by using General Revenue Funds.
- Non-exempt employees – The employer reimburses CMS for the employer’s share of Group Insurance from non-GRF funds.

At the end of each fiscal year, the Department prepares the University Benefits Analysis Report that summarizes exempt and non-exempt employees and exempt and non-exempt funding. The Department submits this report to the Illinois Office of the Comptroller (Comptroller) by August 1 following the end of each fiscal year. These amounts are utilized in the universities’ fiscal year financial reporting. The Comptroller also uses these amounts to determine the amount of on-behalf revenue to allocate to the universities.

**2. University Benefits Schedules Source Information**

Information reported in the University Benefits Schedules was derived from a variety of sources. Non-exempt contributions, total covered employees, and estimated annual cost per employee were used in the calculations shown on the FY2020 University Benefits Analysis. The detail of the estimated annual cost per employee is shown in the State Employees Group Insurance Program FY2020 Reimbursement Rate Summary for All Employees. The Department has developed a detailed average cost rate setting methodology which incorporates the consultation of actuaries and other business consultants.

**3. University Benefits Analysis Schedules Not Intended to Subtotal**

The University Benefits Schedules are prepared with imbedded calculations and are not intended to subtotal down columns or across rows as presented due to rounding of the various amounts. Calculations across rows and totals of columns are performed on unrounded numbers with the results rounded for presentation.