LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Central Management Services
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Springfield, Illinois 62706
217/782-7097

REVIEW:
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TWO YEARS ENDED
JUNE 30, 2021

RECOMMENDATIONS – 16
ACCEPTED - All

IMPLEMENTED – 2
PARTIALLY IMPLEMENTED – 14

REPEATED RECOMMENDATIONS – 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 13

This review summarizes the auditors' report of the Department of Central Management Services (CMS) the two years ended June 30, 2021, filed with the Legislative Audit Commission on June 9, 2022. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

Divisions/Services:

CMS Bureau of Administrative Hearings was created by Executive Order in fiscal year 2018 to oversee and ensure timely administrative hearings processes and continuing education for legal professionals involved in all appropriate agencies.

The Business Enterprise Program (BEP) serves businesses owned by minorities, women, and persons with disabilities, providing assistance with procurement processes and opportunities to contract with state agencies and universities. BEP oversees certifications, goal-setting, contract compliance, vendor outreach, and recruitment.

CMS communications and graphics services are handled by the Illinois Office of Communications and Information (IOCI), including CMS public information services, radio and television studio services, graphics design, and print services for all state agencies. IOCI results are included in a CMS reporting program for many of its statewide professional service offerings: Professional and Strategic Services. Professional and Strategic Services also includes all CMS reporting from Audits, Fiscal Management, the Office of Communications and Information, and the Office of Operational Excellence, also known as Rapid Results (RR).

The State Employee Deferred Compensation Plan is a tax-deferred retirement savings plan for state employees. The program manages the investment of more than $4 billion in assets for more than 54,000 participants.

Facilities Management provides office/work space for executive agencies, boards, and commissions. Facilities Management partners with clients to provide space and to act as manager for leased and owned properties, including surplus space. The program oversees nearly 670 state-leased and state-owned facilities under executive authority, as well as space for legislators and constitutional officers.

Human Resources (HR) administers the state's merit employment system for nearly 44,000 employees in accordance with state rules, agreements, and laws. Key functions include position classification and compensation management, counseling, grading of candidates for hiring and promotions, processing employee transactions, and agency training.

CMS Benefits administers the State Employee Group Health and Life Insurance program for state employees enrolled as provided by the State Employees Group Insurance Act. The program provides coverage and flexible spending plans to more than 350,000 employees, retirees, and dependents.

The Strategic Sourcing program works to minimize the cost of goods and services by consolidating purchases through economies of scale. Strategic Sourcing assists all agencies to ensure best practices on procurement and partners with the statewide Chief Procurement Office to ensure consistent accountability.

CMS Agency Services includes the divisions of Vehicles and Surplus Property and manages more than 12,000 vehicles utilized by executive agencies, boards, and commissions. Fleet repair and maintenance is performed through a network of state garages and vendors. The Surplus Property program transfers extra or underutilized state assets to agencies that need them and oversees public sales of surplus property. Agency Services also oversees mail and messenger services for all agencies.

Workers' Compensation and Risk Management administer workers' compensation claims and benefits for all state employees, except University of Illinois and Illinois State Toll Highway Authority employees. Risk Management also administers the state's self-insured, auto liability plan.

Agency Narrative

2021 State Employee Group Health and Life Insurance - Mission Statement: To administer high-quality benefit programs that contribute positively to the health, well-being, and financial security of statutorily specified groups of Illinois government employees and retirees, and their families.

Program Goals:

1. Develop, promote, and implement a comprehensive wellness program to improve the health of members and realize savings negotiated in the union contract. Raise awareness of current wellness options under existing group health plans.
2. Identify savings and efficiencies in benefit programs.

3. Ensure clear communication of plan details and benefits to all eligible participants during the benefits choice period.
4. Improve the long-term health of eligible members by providing access to health-care and life insurance coverage.

2021 Facilities Management – Mission Statement: To maintain and optimize the use of state-owned facilities consolidated under CMS and to provide access to additional space as needed through cost-efficient leasing to ensure agencies have space available to meet their operating needs. To manage the daily operations of and public access to facilities by maintaining grounds, structures, utilities, and environmental systems. To acquire, manage, and dispose of real and personal property through the Surplus Property program in an efficient and cost-effective manner.

Program Goals:
1. Maximize the utilization of state-owned space.
2. Reduce annual maintenance cost of state-owned space and the utility cost of all state-occupied space.
3. Reduce the amount and cost per square foot of leased space.
4. Implement a new system to track the utilization and operating costs of space.
5. Increase the energy efficiency of state facilities.
6. Increase the use of alternative energy.

2021 Workers' Compensation and Risk Management – Mission Statement: To provide health care and financial security to employees and their families when employees are injured while performing their duties for the state, to efficiently manage the collection and payment of funds for damaged property, and to minimize the state's exposure to various risks.

Program Goals:
1. Reduce overall program costs.
2. Conduct face-to-face meetings with the three agencies with the most claims to coordinate efforts to reduce the number and severity of employee claims.
3. Provide monthly agency-specific financial and statistical reports.
4. Negotiate with the union to implement a preferred provider network.
5. Avoid increased costs and litigation through early communication with the injured/damaged party.
6. Reduce the state's self-insured liability by obtaining outside insurance coverage for certain state property, when appropriate.
7. Protect the state's interest while hosting external events and protect elected officials from unnecessary personal liability exposure through a comprehensive insurance plan.

2021 Vehicles and Surplus Property – Mission Statement: To maximize efficiency, reduce costs, and streamline operations through efficient utilization of state vehicles and garages. Assist organizations in reducing costs through the proper re-utilization of state assets, vehicles, recycling, and office equipment.

Program Goals:
1. Ensure that the vehicle fleet is utilized effectively and that agencies are using the most cost-effective modes of transportation.
2. Ensure vehicle repair and maintenance is completed in a timely and cost-efficient manner.
3. Modernize the state fleet to reduce the costs of repairs and consumption of fuel.
4. Reduce expenses by deploying more fuel-efficient vehicles, including hybrids and electrics.
5. Increase assistance to state agencies through the transfer of surplus property.
6. Increase communication and participation with the local units of government in the Federal Surplus program and iBid.

2021 Human Resources – Mission Statement: To ensure that qualified individuals are hired into Code-covered positions, that those employees are compensated and promoted equitably and appropriately, and that agencies comply with the rules set forth in the state's Personnel Code, Personnel Rules, Pay Plan, Position Classification Plan, current collective bargaining agreements, and other applicable laws and hiring procedures.

Program Goals:
1. Recruit and counsel qualified employees with an emphasis on maintaining a diverse employee pool that includes minorities, women, veterans, and persons with disabilities. (Human Resources (HR)/Office of Diversity and Inclusion (D&I))
2. Develop and administer more efficient testing and selection instruments. (HR)
3. Improve on efforts to administer federal and Supreme Court decisions and related Administrative Orders. (HR)
4. Efficiently process employee and agency transactions. (HR)
5. Develop and implement updated classification and compensation studies. (HR)
6. Negotiate and oversee the administration of collective bargaining agreements that allow for the efficient management of statewide operations and provide for equitable treatment of employees. (LR)
7. Provide support to agencies to ensure compliance with all collective bargaining agreements, including training to facilitate appropriate supervisor guidance and matters of discipline. (LR)

2021 Professional and Strategic Services – Mission Statement: To provide professional and strategic services for CMS and other Illinois executive agencies, including services from CMS Legal, Communications, Audits, and Operational Excellence/Rapid Results (RR).

Program Goals:
1. Increase and improve the state's online presence to improve information availability, increase transparency, and reduce operating expenses. (Communications)
2. Provide professional quality media materials to increase awareness of state programs and initiatives in a cost-effective manner. (Communications)

3. Provide support to agencies to ensure compliance with all collective bargaining agreements, including training to facilitate appropriate supervisor guidance and matters of discipline. (LR)
4. Provide customized training for agency staff members in RR methodologies for continuous operational improvement. (Operational Excellence)
5. Facilitate operational improvements, including reduced waste and improved service value, through RR outreach to CMS bureaus and all state agencies. (Operational Excellence)
6. Provide legal services and counsel as needed for CMS bureaus and outside agencies. (Legal)
7. Provide internal audit services to CMS bureaus and outside agencies upon request. (Audits)

2021 Strategic Sourcing – Mission Statement: To maximize the value of taxpayer dollars spent by executive agencies on goods and services and to reduce the cost of state government through a center-led sourcing approach. To carry out efficient, effective, and sound procurement and contract management practices as well as provide quality service through teamwork and communication with governmental entities in addition to the Chief Procurement Office.

Program Goals:
1. Create a more efficient procurement system by removing duplicative efforts and providing consistency to all aspects of the process.
2. Reform the procurement process to increase overall efficiency of operations while containing cost.
3. Implement and oversee the BidBuy eProcurement system to provide improved reporting capabilities and the ability to track spending and analyze results.
4. Maximize revenues spent on goods and services by increasing competition for contracts and ensuring the integrity of the overall process.

2021 Business Enterprise Program (BEP) – Mission Statement: To promote and encourage the economic development of businesses owned by minorities, women, and persons with disabilities by providing assistance with understanding state procurement and contracting processes, and providing opportunities to bid and contract with state agencies and universities. Focus includes oversight of BEP business certifications, goal-setting, contract compliance, vendor outreach and recruitment, and Veteran-Owned and Service-Disabled-Veteran-Owned Small Business certifications.

Program Goals:
1. Create economic opportunities for businesses owned by minorities, females, and persons with disabilities.
2. Promote the participation of BEP vendors as prime and subcontractors.
3. Ensure state agencies and universities comply with procurement rules related to contracting with BEP-certified vendors.
4. Create an online application that allows vendors to track the application process and for the bureau to respond to requests for information.

5. Increase outreach and training to minority communities and agencies across the state.
6. Monitor the efforts of agencies toward their achievement of BEP prime and subcontracting goals for all state contracts.

2021 Administrative Hearings – Mission Statement: To uphold the independence and integrity of the administrative judiciary by promptly resolving administrative disputes involving executive agencies and the general public through accessible, fair, and efficient processes and issuing sound decisions.

Program Goals:
1. To issue fair, prompt, well-reasoned decisions.
2. To establish and maintain high ethical standards.
3. To promote uniform, user-friendly rules and procedures for hearings.
4. To facilitate ongoing education and training specific to the role of adjudicator.
5. To provide centralized support for administrative hearing functions across Illinois.

2021 Deferred Compensation – Mission Statement: To administer high-quality investment programs that enhance the prosperity of employees by providing an alternative pre-tax savings option for retirement.

Program Goals:
1. Provide eligible employees additional opportunities to prepare for retirement.
2. Establish a Roth 457 option for eligible employees to increase savings opportunities.
3. Modify program rules and regulations to give participants full access to deferred compensation program benefits, as permitted under law.

Appropriations and Expenditures

	FY20 Expend	FY21 Expend	FY20 HC	FY21 HC
Benefits (State Employee Group Health & Ins)	$5,262,996,400	$5,168,745,100	44	43
Facilities Mgmt	225,260,700	255,764,400	271	267
Workers Comp & Risk Mngt	108,962,800	86,289,800	7	6
Vehicles & Surplus Prop.	62,365,900	51,571,800	157	139
Human Resources	20,016,900	21,263,100	109	112
Professional & Strategic Services	22,320,300	17,868,400	101	96
Strategic Sourcing	4,398,700	3,758,200	21	23
Business EnterpriseProgram	2,207,900	2,671,400	16	14
Admin Hearing	838,500	1,336,600	3	3

Deferred Comp	393,700	880,900	7	6
Totals	**$5.71 billion**	**$5.61 billion**	**736**	**709**

For comparison, CMS is asking for $6.5 billion in FY24 and a headcount of 883.

Property and Equipment

At the end of FY21, CMS has the following value:

Department-wide Capital Assets	
Land and land improvements	$875,000
Building and building improvements	$267,373,000
Equipment	$3,775,000
Total	**$272,023,000**
State Garage Revolving Fund (0303)	
Equipment	$75,654,000
Facilities Management Revolving Fund (0314)	
Land and land improvements	$38,174,000
Site improvements	$3,761,000
Building and building improvements	$572,989,000
Equipment	$1,902,000
Works of Art	$974,000
Total	**$617,800,000**
Professional Services Fund (0317)	
Equipment	$866,000
Health insurance Reserve Fund (0907)	
Equipment	$34,000
Grand Total	**$966.4 million**

Director

Raven DeVaughn served as Assistant Director at CMS where she oversaw the agency's procurement through the Bureau of Strategic Sourcing (BOSS), promoted minority and women owned participation in CMS contracts; oversaw the Bureau of Administrative Hearings and the Illinois Office of Communications and Information; and served as liaison to the recently created Commission on Equity and Inclusion and the African Descent-Citizens Reparations Commission. Before joining CMS, Raven served as the Director of Economic Development Initiatives within the Office of Civic Engagement at The University of Chicago, where she designed and advanced policies surrounding the University's community-based economic inclusion efforts on the south side of Chicago. She earned a Bachelor of Arts in English from Howard University and a Juris Doctor degree from the University of Illinois Urbana-Champaign.

During the audit, Janel Forde, was the CMS Director. Anthony Pascente, previous CMS Chief of Staff, served as director for a short time.

Key Performance Indicators

	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Est
Admin Hearing				
Total matters disposed	193	99	60	200
Total refer hearing	187	111	103	250
Deferred Comp				
Avg annual contribution pretax	$4,778	$5,145	$5,196	$5,300
New participants	3,041	5,256	1,389	2,000
Total participants	53,739	59,906	58,050	60,000
Facilities Management				
Avg state lease cost	14.66	15.23	13.96	15.75
Avg maintenance for state owned per square foot	3.65	3.6	3.6	3.6
Facilities under CMS	685	685	661	685
Square foot managed by CMS	15,552,442	15,190,957	15,223,336	14,885,779
Human Resources				
Automated exams	50,000	13,000	12,700	512
Code covered state employees	46,400	48,000	45,000	50,000
Discipline actions processed (over 30 days)	450	400	450	450
Employee transactions	133,400	148,400	112,200	120,000
Full-time state employees that are a minority includes women	59.5%	61.7%	61.5%	61.5%

Professional & Strategic Services				
Process waste eliminated	$20.6 million	$34.7 million	$34.8 million	$36 million
Group health lives covered	357,300	358,700	356,300	354,400
Life ins lives covered	322,700	325,500	325,750	324,800
Group ins disputes resolved in 30 days	80.1%	83%	83%	83%
Strategic Sourcing				
Contracts/procure manage by Bureau	748	909	842	845
Statewide master contracts	480	435	354	350
Vehicles & Surplus Property				
Obsolete passenger vehicles (8+years and 150,000+miles)	52%	51%	55%	55%
Obsolete trucks	43%	44%	42%	42%
Obsolete vehicles total	49%	49%	52%	52%
Registers state surplus users	35,000	37,100	37,700	38,000
Total CMS vehicles	12,450	12,600	12,200	12,200
Workers' Comp and Risk Management				
New auto liability claims	1,400	1,350	1,400	1,400
New workers comp injury	4,750	3,900	4,000	3,800
Work comp claims denied/non-compensable claims	20	15	13	15

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts…." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

CMS had the following emergency purchases of note in FY20:

- JRTC full coverage elevator maintenance services for $197,915;
- DHS Sangamon County Facility rent payment to not disrupt critical services to Cagnoni Reyhan Part. For $323,200;
- DHS facility that specializes in Social Security determinations to Alzina Building II LLC for $475,200;
- HFS Springfield headquarters instead of relocating critical records and services Government property Fund LLC for $598,145.

CMS had the following COVID emergency purchases of note in FY21:

- Enhanced cleaning services to Clean as a Whistle LLC for $125,800;
- Additional cleaning services acquired to Jewish Child and Family Services for $45,490;
- Deep cleaning services acquired to Jones Lang LaSalle Americas for $1.655 million;
- Translation Services to Multilingual Connections LLC
- Personal protective equipment and supplies to W Grainger Inc for $79,365. for $163,913;

Accountants' Findings and Recommendations

Condensed below are the 16 findings and recommendations included in the audit report. Of these, 10 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by CMS of, via electronic mail received June 9, 2022.

1. **The auditors recommend CMS ensure premium rates meet the requirements established by the Act. Additionally, they recommend CMS either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Community College Health Insurance Program or seek legislative relief from the statutory requirement.**

FINDING: *(Failure to determine premiums that allow for establishment of actuarial sound reserve) – First and last reported 2019*

In the FY18 and FY19 compliance examination, auditors reported CMS had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During FY21 testing, auditors continued to identify exceptions, as noted below:

- The State Employees Group Insurance Act of 1971(5 ILCS 375/6.9(e)(1) (Act)) states, for a community college benefit recipient, up to 75% of the total insurance rate shall be paid from the Community College Health Insurance Security Fund (Fund). During testing, auditors noted the Fund covered 75.044% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was $10,846.
- The Act (5 ILCS 375/6.(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, auditors noted the Fund covered 1.619% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was $38,633.

Additionally, the Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program. At June 30, 2021 the Program had a fund deficit of $104.136 million and the Program experienced a loss of $16.165 million. The Program does not have an actuarially sound reserve.

CMS management stated the methodology utilized to calculate the rates for the Program, given the relatively small population participating in the program, the reliability of the historical claims data, and its impact on the unadjusted rate increases were questioned. The resulting adjustment made to the unadjusted rates was to provide for a consistent rate increase across all categories such that the overall expected participant contributions would equal the overall contributions projected utilizing the unadjusted rates which were based upon the language in the statute. This would provide for a revenue stream similar to one provided under that stature while minimizing the significant financial impact to the retired participants of the program.

The difference between CMS' calculation and the auditors is what caused the differences in calculated rates.

CMS management further stated that while CMS has historically dealt with a prolonged hold cycle in the Program, the balance between delayed payments and excessive premium increases has been weighed to protect the affordability of coverage for the over 7,000 enrollees while continuing to manage the finances with limited resources prescribed in the Act. CMS continues to seek a legislative remedy to the funding for the program to address the lack of the ability to create an actuarially sound reserve.

This weakness in internal control over financial and fiscal operations poses a reasonable possibility that future misstatements of CMS' financial statements or noncompliance will occur and not be prevented or detected or corrected on a timely basis.

The premiums established for the fund were not in compliance with the Act, resulting in additional costs to the state. Additionally, failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance.

RESPONSE:
CMS accepts the finding and recommendation. With the passage of the FY23 budget, there was established an additional $25M appropriation from the General Revenue Fund for deposit into the Community College Health Insurance Security Fund. While this will not completely eliminate the backlog of payables, it will provide some reduction. Additionally, CMS will continue to work with the Governor's Office, GOMB the General Assembly, and the various constituency representative to develop a legislative solution to the funding issues of the program.

UPDATED RESPONSE:
Partially Implemented. No change.

2. **The auditors recommend CMS ensure internal service fund billings are properly calculated and that the Department timely follows up on outstanding billings.**

FINDING: *(Inadequate monitoring of internal service fund billings) - New*

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

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

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

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

  As of June 30, 2021, $6,522,614 in supplemental billings were due to CMS. The auditors noted CMS did not actively monitor its amounts due from multiple state agencies and ISTHA to ensure amounts due were timely collected. As such, auditors noted six of nine (67%) agencies made no payments or payments significantly lower than what was due since 2018. A summary of the amount owed by year and agency is as follows:

Agency	Agency Number	FY 2019	FY 2020	FY 2021	Total
CMS*	416	-	-	163,948	163,948
DNR**	422	169,450	252,411	268,947	690,808
DOC**	426	542,138	579,149	276,859	1,398,146
DHS**	444	18,480	217,398	162,016	397,894
DoIT*	448	-	-	42,188	42,188
ISP***	493	93,041	108,497	110,033	311,571
DOT*	494	-	-	598,540	598,540
ISTHA**	557	790,845	785,011	668,251	2,244,107
IGB***	565	340,199	319,110	16,102	675,411
Total		**1,954,152**	**2,261,577**	**2,306,885**	**6,522,614**

*Making payments
**No payments made since 2019
*** Payments significantly lower than amount owed

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

- CMS develops charges for professional services to be paid into the Professional Services Fund by using the last full fiscal year's expenditures, devising a percentage of the total expenditures, and then prorating the amounts to the agencies by fund and dollar amount that receive professional services from CMS This percentage is then multiplied by the professional services annual budget to determine the amount billed to each agency. During testing auditors noted agencies receiving professional services from CMS were billed based on the percentages established for FY20 instead of FY21. This resulted in 41 of 45 (91%) agencies receiving professional services from CMS being billed for the incorrect amount. <u>The amounts under billed to agencies ranged from $200 to $269,200, and the amounts overbilled to agencies ranged from $200 to $704,900.</u>

CMS stated, originally, the invoices were sent to Shared Services which then distributed invoices to respective agencies. Shared Services was subsequently eliminated which caused a disruption in the invoice distribution thus resulting in increased amounts due from agencies. CMS also stated fiscal staff continued to prepare and distribute the invoices to respective agencies during the examination period, but **due to key management vacancies** CMS was unable to sufficiently monitor and follow up with the non-compliant agencies.

Further, CMS stated issues related to professional service billings were a **result of human error**. **The limited staff** did not allow for a thorough review and **oversigh**t by supervisory personnel.

Failure to timely collect internal service fund billings result in a reduced cash balance and agencies paying these billings in a fiscal year where the liability was not incurred. Failure to bill agencies receiving professional services from CMS resulted in agencies paying incorrect amounts, which could result in material misstatements in their financial reporting.

<u>**RESPONSE:**</u>
CMS accepts the finding and recommendation.

<u>**UPDATED RESPONSE:**</u>
Partially Implemented. CMS has implemented processes and procedures to complete timely monitoring and follow up on internal service fund billings to ensure agencies are paying the billings in the fiscal year in which the liability was incurred.

CMS completed its updates of procedures and review process to ensure charges for professional services are properly calculated.

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

FINDING: *(Lack of census data reconciliations) – First and last reported 2020*

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

The auditors noted CMS employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the Bureau of Benefits within the State of Illinois, Department of Central Management Services (Bureau) for their OPEB. In addition, auditors noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, auditors noted CMS had not performed an initial complete reconciliation of its census data recorded by both SERS and its Bureau to the personnel records of CMS' employees to establish a base year of complete and accurate census data.

After establishing a base year, CMS had not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to CMS' internal supporting records.

CMS management attributed the lack of an initial complete reconciliation to **competing priorities and limited staffing.**

Failure to reconcile active members' census data reported to and held by both SERS and its Bureau to CMS' personnel records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of CMS' pension and OPEB balances, which may result in a misstatement of these amounts.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Partially Implemented. Bureau of Personnel (BoP) has completed the initial reconciliation of census data. BoP has contacted SERS in preparation for the annual reconciliation for CY22. BoP anticipates having the annual reconciliation completed on-time in accordance with the statute.

4. The auditors recommend CMS not enter into interagency agreements which result in agencies and CMS not maintaining their own full-time internal audit function. Auditors recommend any other services provided to agencies be done only with the approval of the Governor. Further, the auditors recommend CMS consistently establish and enforce reimbursement arrangements for its interagency agreements.

FINDING: *(Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) – First and last reported 2019*

CMS entered into interagency agreements that failed to adhere to the provisions of the Fiscal Control and Internal Auditing Act (Act).

During the engagement period, CMS was a party to interagency agreements with the following designated state agencies to provide internal audit services:

- Illinois Department of Agriculture
- Illinois Department of Corrections
- Illinois Department of Financial and Professional Regulation
- Illinois Department of Human Rights
- Illinois Department of Labor
- Illinois Department of Insurance
- Illinois Finance Authority

Auditors noted the following issues with these interagency agreements:

- State law (30 ILCS 10/2001(a)) requires each designated State agency to maintain a full-time program of internal auditing. These agencies did not have a Chief Internal Auditor during the engagement period and strictly relied on the Department to provide internal audit services. The interagency agreements ultimately resulted in these four agencies not maintaining their own full-time internal audit function. Further, these interagency agreements resulted in CMS Chief Internal Auditor not working full time with CMS' own internal audit function.

The Illinois Department of Corrections, the Illinois Department of Labor and the Illinois Department of Insurance utilized internal audit services of CMS during the engagement period, but did appoint their own Chief Internal Auditor. The agreements with the Illinois Department of Labor and the Illinois Department of Insurance were terminated during FY21.

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as CMS. In other words, each designated state agency must have a full-time program of internal auditing and each state agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from CMS.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into a bureau at the Department. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in the Department and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

The Illinois Office of the Auditor General requested the Illinois Attorney General make a ruling on the Department acting as the full-time internal audit function for these agencies. The Attorney General ruled in a recent Opinion No. 19-001, issued August 9, 2019, on page 18, that multiple designated State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act (15 ILCS 15). The ruling was issued after these agreements were executed.

- CMS did not obtain the Governor's approval for CMS to provide professional internal auditing services to these State agencies.

The Code (20 ILCS 405/405-293(a)) states CMS "is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10. . ." Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state that CMS may "with the approval of the Governor, provide additional services to or on behalf of State agencies." "Additional services" is not defined and no approval for CMS to provide internal auditing services specifically to these designated state agencies under the Act was obtained from the Governor.

- During testing of the reimbursement to CMS, auditors noted the following reimbursement arrangements:

Agency	Reimbursement Arrangement
Illinois Department of Agriculture	Allows CMS to use Illinois Department of Agriculture appropriations for processing payroll.
Illinois Department of Corrections	When and if more than two full-time equivalent employees are hired, the payroll expenses will be supported by the Illinois Department of Corrections via payroll agreements.

Illinois Department of Financial and Professional Regulation	Allows CMS to use Illinois Department of Financial and Professional Regulation appropriations for processing payroll.
Illinois Department of Human Rights	The Illinois Department of Human Rights agrees to transfer one full-time equivalent employee to CMS. Upon termination of this agreement, the Department will reimburse the Illinois Department of Human Rights for the full-time equivalent employee.
Illinois Department of Labor	The Illinois Department of Labor agrees to transfer one full-time equivalent employee to CMS. Upon termination of this agreement, CMS will reimburse the Illinois Department of Labor for the full-time equivalent employee.
Illinois Department of Insurance	Allows CMS to use Illinois Department of Insurance appropriations for processing payroll.
Illinois Finance Authority	CMS is to pay all expenses related to the agreement.

- CMS inconsistently established reimbursement arrangements for these agreements and did not follow any of the reimbursement arrangements in the interagency agreement. CMS spent 13,759 and 13,390 hours in FY20 and FY21, respectively, but did not seek reimbursement for providing internal audit services in accordance with the agreements. CMS does not plan to charge these agencies for this service. Since CMS does not plan to process vouchers through the Illinois Department of Agriculture's, Illinois Department of Financial and Professional Regulation's or Illinois Department of Insurance's appropriations, auditors believe there is a significant internal control risk with potentially delegating a state's appropriation authority unnecessarily.

CMS management indicated many of the agencies they support <u>are having a difficult time finding candidates that meet their auditing needs.</u> CMS management indicated their main focus was on ensuring that audits and internal audit documents were completed so continued to honor the interagency agreements established. CMS management indicated CMS' billing practice did not reflect the most up-to-date intergovernmental agreements due to the complexities of invoicing for the bureau's services across multiple agencies and payroll systems.

The establishment of intergovernmental agreements to provide internal audit functions to other designated agencies hinders the operational autonomy intended by the General Assembly for internal auditors and resulted in the Department's Chief Internal Auditor not working full time with CMS' own internal audit function. Management at these agencies cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with CMS at any time for any reason.

Failure to obtain the approval of the Governor for expanding the professional services provided by CMS limits governmental oversight and represents noncompliance with the Code.

Granting CMS authorization to expend the agency payroll appropriations weakens its overall internal control environment and represents noncompliance with state law.

RESPONSE:
CMS accepts the finding and recommendation and is in the process of addressing the identified billing issues, which will allow the necessary changes to the provisions of the intergovernmental agreements and become compliant.

As for the issue identified about the Chief Internal Auditor at CMS providing support for other designated state agencies, the Bureau has now trained multiple staff that are close to being qualified to becoming Chief Internal Auditors. As such, CMS is committed to exploring options that will entice them to consider these positions.

UPDATED RESPONSE:
Partially Implemented. CMS has worked with various stakeholders and has developed potential amended language that we plan to submit in the upcoming legislative session that if passed will address this finding.

5. **The auditors recommend CMS ensure all emergency purchases are timely published in the online electronic bulletin. Additionally, auditors recommend CMS takes steps to ensure all real property leases are filed with the Comptroller and payments on these leases are properly obligated in accordance with SAMS. Lastly, auditors recommend CMS implement procedures to monitor real property lease terms to avoid exhausting the six months statutorily allowed holdover period without a new lease agreement in place.**

FINDING: *(Weaknesses in emergency purchases and real property lease administration) - New*

CMS did not exercise adequate controls over its emergency purchases and real property leases.

During their testing of CMS' emergency procurement contracts during the engagement period, auditors noted the following issues:

- One of 29 (3%) emergency purchases was not published in the online electronic bulletin within five calendar days. The emergency purchase was published **four calendar days late**. The untimely publication in the online electronic bulletin also resulted in the Chief Procurement Office (CPO) not filing a statement with the Procurement Policy Board and the Auditor General within 10 calendar days after the procurement. The statement was **filed six calendar days late**.

- One of 29 (3%) emergency purchases for a real property lease, totaling $45,478, was not filed with the Office of Comptroller (Comptroller) via a Contract Obligation Document (Form C-23).
- CMS continued to make payments to a vendor after one emergency purchase for a real property lease and subsequent three-month extension expired without being granted additional approval through another extension hearing. These payments were not obligated with the Comptroller. Monthly lease payments totaled $20,830; however, CMS split the monthly payments, keeping individual payments under $20,000. The lease payments totaled $128,517.
- Twelve of 29 (41%) emergency purchases were for month-to-month payments for real property leases that expired before and/or after an emergency contract was in place, with no contract obligated with the Comptroller. These 12 real property leases had exhausted the six allowed month-to-month payments under the expired lease on file with the Comptroller prior to making these month-to-month payments with no current obligation filed with the Comptroller. By continuing to make month-to-month payments without a current obligation number, CMS effectively extended the month-to-month lease payments beyond the statutorily allowed duration of time. The leases with month-to-month payments without an obligation filed with the Comptroller had payments totaling $643,704. Additionally, for one of these leases, monthly lease payments totaled $35,280; however, CMS split the monthly payments keeping individual payments under $20,000. These lease payments totaled $105,839.

During their analysis of payments without contract numbers, auditors noted four real property leases with month-to-month payments totaling $236,953 that did not have obligations filed with the Comptroller. The Code allows leases to continue on a month-to-month or other holdover basis for a total of no more than six months. These four real property leases had exhausted the six month-to-month payments under the expired lease on file with the Comptroller prior to making these month-to-month payments with no current obligation filed with the Comptroller. By continuing to make month-to-month payments without an obligation number, CMS effectively extended the month-to-month lease payments beyond the statutorily allowed duration of time instead of making an emergency purchase.

CMS management indicated the cause for the untimely emergency purchase filing was a delay in the responsible bureau approving the emergency purchase due to **competing priorities.**

CMS stated issues related to failure to obligate real property leases with the Comptroller were due to **staff shortages and the fiscal supervisor being on leave**. The issues regarding extending the month-to-month payments beyond six months were due to **staff turnover, lack of knowledge base, and human error.**

Failure to properly procure services pursuant to the Code represents noncompliance with the Code, can result in a possible mismanagement of state funds, and hinders public oversight. Additionally, failing to file obligations with the Comptroller circumvents controls in place to avoid unauthorized state payments and makes it difficult for the Comptroller to track holdover payments to ensure the holdover period does not exceed six months, which resulted in month-to-month lease payments beyond the statutorily allowed duration.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Partially Implemented. CMS has reviewed the procurement code and the regulations set in place by the Chief Procurement Office in relation to publishing emergency purchases in the online electronic bulletin.

CMS has implemented steps to ensure all real property leases are filed with the Comptroller and payments on these leases are properly obligated in accordance with SAMS. The leasing contracts are filed in the SAP SRM procurement portal for transparency, tracking, and for audit trail. The payment requests are reviewed by the CMS Office of Finance and Management with reference to the original lease Exhibit C (payment schedule) and verified EMF document number to ensure proper obligation of funds.

CMS has created a SharePoint site to monitor real property leases, along with an automated process to verify if the lease is or is not in holdover, and the number of days until holdover. CMS also implemented an email notification system to alert the Leasing Division. These procedures will assist CMS to avoid exhausting the six months statutorily allowed holdover period without a new lease agreement in place.

6. **The auditors recommend CMS enforce its procedures throughout CMS to ensure the completion of performance evaluations in accordance with state rules and internal personnel policy**.

FINDING: *(Failure to timely conduct yearly performance appraisals) – First reported 2013, last reported 2019*

CMS failed to conduct employee evaluations on a timely basis.

During their testing of 60 employee performance evaluations, auditors noted evaluations for seventeen (28%) employees were not conducted in accordance with CMS policies or the Code. The evaluations were performed **seven to 370 days late**. In addition, annual evaluations were not performed for six of 60 (10%) employees tested.

This finding was originally noted during the compliance examination of the two years ended June 30, 2013. In the subsequent examinations, CMS has not been successful in completely implementing corrective action.

Department management indicated, while the performance of timely employee evaluations has continued to be stressed by management, the execution of timely employee evaluations was more difficult during the engagement period **because of the COVID-19 pandemic.**

Performance evaluations are a systemic and uniform approach used for the development of employees and communication of performance expectations. These evaluations should serve as the foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Partially Implemented. Bureau of Personnel (BoP) has increased communication to Bureau leaders, across CMS, to ensure leaders have awareness of upcoming evaluations for employees. BoP will continue to stress the importance of accurate and timely performance evaluations being conducted for department staff.

7. **The auditors recommend CMS ensure the Agency Workforce Report is properly completed and timely submitted to the Secretary of State and Office of the Governor. Additionally, auditors recommend CMS file revised reports within 30 days after the release of the audit by the Auditor General as required by the Illinois State Auditing Act.**

FINDING: *(Noncompliance with the State Employment Records Act) – First reported 2017, last reported 2019*

CMS did not file accurate Agency Workforce Reports (reports) with the Office of the Governor and the Office of the Secretary of State.

During their testing of the 2019 report, auditors noted the following:

- CMS incorrectly reported various totals and percentages due to calculation errors. Auditors **noted 24 calculation errors** in the report.
- CMS reported the total contractual employees; however, failed to report contractual employees by race and gender.
- The report was not filed with the Secretary of State and Governor until January 16, 2020, **15 days late**.

During their testing of the 2020 Agency Workforce Report, auditors noted the following:

- The total for females in Openings Filled Promotions was reported as 17 employees (81%), however it was actually 16 employees (76%).
- CMS reported the total contractual employees; however, failed to report contractual employees by race and gender.

The 2017 Corrected Agency Workforce Report was not filed with the Secretary of State until September 10, 2020, **65 days after the compliance** examination for the two years ended June 30, 2019 release date of July 7, 2020.

CMS was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2017. In the years since the finding was first noted, CMS has been not been successful in correcting this finding.

CMS officials indicated CMS currently does not have a procedure to capture the race and gender data for contractual employees. CMS officials indicated the Legal and Equal Employment Opportunity Officer is exploring ways to capture this data going forward. CMS officials indicated the late filings and other errors were **attributed to employee oversight.**

The data contained in the report is important to the state's efforts in achieving a diversified workforce. Failure to timely and accurately prepare the report results in noncompliance with the State Employment Records Act and the Illinois State Auditing Act.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Implemented. CMS has instituted procedures for automatic calculation of the data totals and percentages, multiple reviews of the completed Agency Workforce Report (Report) prior to submission, timely securing the required original signature of CMS official certifying the data, and for collection of the race and gender data for contractual employees. Additionally, CMS corrected FY19 and FY20 Agency Workforce Reports were filed with the Secretary of State and the Governor's Office on June 30, 2022.

8. The auditors recommend CMS ensure the original, properly completed Form I-9 is retained in employee personnel files. In addition, auditors recommend CMS ensure employees complete required training and reinforce to employees the importance of submitting timesheets in accordance with CMS policy.

FINDING: *(Weaknesses related to personal services) – First and last reported 2019*

CMS demonstrated weaknesses related to personal services.

During testing, auditors noted the following:

- CMS failed to maintain and complete the *Employment Eligibility Verification Form* (Form I-9).
    - Form I-9 was absent for three of 60 (5%) employees tested.
    - Form I-9 was not signed by the employer within three business days of the hire for four (7%) of 60 employees tested.

CMS management indicated the assurance of employees completing/submitting the I-9 form was **due to employee error.**

Failure to comply with U.S. Department of Homeland Security regulations could subject the state to unnecessary legal costs and penalties.

- CMS employees did not receive statutorily required training as follows:
  - Five of seven (71%) new employees tested did not complete new hire ethics training within 30 days of the commencement of their employment.
  - Two of 40 (5%) employees tested did not complete sexual harassment training during 2019. Additionally, five of seven (71%) new employees tested did not complete new hire sexual harassment training within 30 days.

CMS management indicated the exceptions noted were **caused by competing priorities**.

Failure to comply with statutory requirements related to employee training results in statutory noncompliance and could fail to establish expectations for employee behavior.

- Two of 40 (5%) employees tested did not submit their timesheets within a week of the last day of the timesheet.

  CMS management indicated the delay of employees submitting their weekly timesheet was **due to employee oversight.**

  Not submitting timesheet timely diminishes management oversight.

RESPONSE:
CMS accepts the finding and recommendation. Bureau of Personnel (BoP) implemented New Employee Orientation (NEO) for all new CMS employees as part of the onboarding process. New employees to CMS are required to submit the completed I-9 form as part of the onboarding process on their first day of employment. BoP will adjust the language of the onboarding documentation and NEO website to include distinct requirements for employee submission of paperwork/training completion which will allow the employer the opportunity to meet required timelines for sing-off of completed, mandatory documentation. This will include completion instructions of all required onboarding paperwork and trainings.

UPDATED RESPONSE:
Partially Implemented. Bureau of Personnel (BoP) continues to monitor new employee submissions of onboarding paperwork and completion of required training to ensure timely and accurate completion. BoP will continue to evaluate the effectiveness of internal controls and adjustment as necessary to ensure compliance of the applicable statute(s).

9. The auditors recommend CMS ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.

<u>FINDING:</u> *(Inadequate monitoring of interagency agreements) – First reported 2006, last reported 2019*

CMS process to monitor interagency agreements was inadequate.

During their testing of CMS' interagency agreements, auditors noted three of six (50%) interagency agreements tested were not signed by all parties prior to the commencement of the services. These agreements were **signed between 29 and 233 days late**.

CMS was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2006. In the years since the finding was first noted, CMS has not been successful in correcting this finding.

CMS management indicated the late signing of the agreements was due to negotiations with the counterparty agency; the result of services which were required on an emergency basis in the early days of the State's COVID response, and multi-agency discussion and collaboration.

CMS entered into 64 agreements with other state agencies and other units of government during the examination period. The purpose of these agreements is to assist CMS in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the contracts and agreements need to be approved prior to the effective date and executed before the commencement of services.

<u>RESPONSE:</u>
CMS accepts the finding and recommendation. CMS has implemented language into agreements which allows for a flexible effective date upon full execution of the agreement.

<u>UPDATED RESPONSE:</u>
Implemented. No change.

10. The auditors recommend CMS:

- **Ensure all vehicle purchases meet the minimum fuel requirements established in the Illinois Procurement Code or seek the approval from the Chief Procurement Office for those that do not meet these requirements.**
- **Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.**
- **Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner.**
- **Monitor the submission of accident reports to ensure the requirements are being met as required by the Illinois Administrative Code.**
- **Modify the Manual or the Code to provide consistent guidance to State agencies.**

FINDING: *(Inadequate procedures regarding State vehicles) - New*

CMS had several weaknesses regarding State vehicles. Auditors noted deficiencies over vehicle fuel requirements, vehicle maintenance records and accident reports as follows:

- During their testing of CMS' minimum fuel requirements for vehicles purchased during the engagement period, auditors noted sixteen of 40 (40%) vehicles tested were not in compliance with fuel type and minimum fuel efficiency requirements. None of these noncompliant vehicles had an Exemption Request Form filed nor were they approved by the Chief Procurement Officer prior to purchase. <u>Upon further investigation, auditors noted 194 noncompliant vehicles purchased in FY20 and FY21 totaling $3,426,652.</u>

  CMS management indicated the noncompliance with minimum fuel requirements for vehicles purchased during the engagement period was **caused by oversight**.

  Failure to purchase vehicles meeting the minimum fuel requirements is noncompliance with state statute and can result in negative environmental impacts.

- During their testing of CMS' vehicle maintenance records during the engagement period auditors noted the following:
  - Seventeen of 20 (85%) vehicles tested for proper vehicle maintenance did not have oil changes performed at the required intervals. Days **ranged from 21 to 470 days overdue for oil changes**, and mileage overdue **ranged from 1,090 to 18,823.**
  - Twelve of 20 (60%) vehicles did not have timely tire rotations performed. Out of these 12 vehicles, 10 (83%) vehicles did not have tire rotations performed at all during the examination period, and the other two vehicles had tire rotations performed, but they **were not performed timely**.
  - Fifteen of 20 (75%) vehicles did not receive an inspection once per year. Four of the 15 (27%) <u>vehicles did not have inspections performed during either FY20 or FY21</u>.

CMS management indicated the issues with vehicle maintenance records were attributed to several fixable problems: <u>failure to properly track repair and maintenance intervals; inaccurate work orders related to data entry and job codes errors; work being completed using the state commercial fuel card, which does not require a work order; user divisions not bringing vehicles for repair and maintenance because there is a chance the vehicle will be removed from service, etc.</u>

- During their testing of CMS' accident reports filed during the engagement period, auditors noted the following noncompliance with the Illinois Administrative Code (44 Ill. Adm. Code 5040.520) (Code):
  - CMS did not ensure the accident reports (SR-1) were submitted in an accurate and timely manner. Auditors noted the accident report for 1 of 8 (13%) accidents tested was **submitted seven calendar days late and was neither**

signed nor dated. In addition, the SR-1 form for two of eight (25%) accidents was **either not signed or not dated**.

- Auditors noted a discrepancy between the Code (44 Ill. Adm. Code 5040.520) (Code) and the CMS Auto Liability Coordinators' Manual (Manual). The Code requires state vehicles that are involved in an accident of any type to file an SR-1 accident report form. However, the Frequently Asked Questions section of the Manual states, "Do incidents involving deer or wildlife need to be reported? No." This is contradictory to the language in the Code that states all accidents need reported.

CMS management indicated issues noted regarding accident reporting were due to a lack of employee training on how to report accidents. The discrepancy between the Code and the Manual was **due to an oversight** in ensuring the Code reflected current practice.

When accident reports are not submitted timely and accurately, facts of the accident may become unclear and it is more difficult to follow up on any possible liability. The inconsistency between the Code and the Manual provides inconsistent guidance to state agencies and can result in noncompliance from these agencies.

RESPONSE:

CMS accepts the finding and recommendation.

SOPs will be updated to include current procedures on accident reporting, ensuring vehicle using agencies and drivers understand their responsibilities in how and when to report an accident.

UPDATED RESPONSE:

Partially Implemented. CMS will begin a system upgrade with AssetWorks, State contracted vendor, on 06/29/22 to migrate FleetFocus, the State's fleet management system from Version 13 to Version 21.1.3. Initially, the migration was to be from Version 13 to Version 19; however, a benefit of the protracted procurement is CMS moving to the most current version FleetFocus. The FleetFocus upgrade project is the first step in the implementation of the recommendations. CMS processes and procedures will change with this upgrade; therefore, the development of and/or update of Standard Operating Procedures (SOP) will follow the completion of the system upgrade project.

CMS is updating its Standard Operating Procedures (SOP) to include clear instructions on procedures to purchase vehicles that meet the minimum fuel requirements as stated in the Illinois Procurement Code (30 ILCS 500/25-75).

SOPs will be updated to include current procedures on accident reporting, ensuring vehicle-using agencies and drivers understand their responsibilities in how and when to report an accident.

11. The auditors recommend CMS:
- **Ensure all employees complete security awareness training annually.**
- **Require contractors to complete security awareness training.**
- **Ensure backups completed by DoIT are successful.**
- **Perform an annual comprehensive risk assessment.**

FINDING: *(Weaknesses in cybersecurity programs and practices) – First and last reported 2019*

CMS had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of CMS' mission to support the state by delivering innovative, responsive, and effective services that provide the best value for Illinois State government and the people it serves, CMS maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

During their examination of CMS' cybersecurity program, practices, and control of confidential information, auditors noted CMS had not:
- Ensured all employees completed cybersecurity training annually. Specifically, auditors noted two of 40 (5%) employees tested did not complete security awareness training.
- Required contractors to complete security awareness training.
- Ensured the backups of its data performed by DoIT were successful.
- Performed a comprehensive risk assessment.

CMS management indicated its **ongoing resource shortage** prevented it from addressing these requirements.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to CMS' volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Partially Implemented. CMS reviews the list of employees and contractors that have completed security awareness training and sends reminders until all have completed the annual training. New employees complete the training as part of their onboarding experience.

CMS is working with DoIT to develop a regular cadence for reporting server backups. In the Spring 2022, DoIT distributed a list of servers to CMS and all successfully completed its backup.

CMS worked with DoIT to develop and execute a Disaster Recovery Plan and updated its Business Impact Analysis. CMS also reviews DoIT's Quarterly Dashboard and Security report and collectively work together to address any issues.

12. The auditors recommend CMS continue to seek legislative remedy to transfer the responsibility of the Data Security on State Computers Act from CMS to DoIT. In addition, auditors recommend CMS strengthen its controls in identifying and documenting all surplus IT equipment.

FINDING: *(Inadequate controls over electronic surplus property) – First reported 2013, last reported 2019*

CMS continued to have inadequate controls over the surplus of electronic equipment inventory.

During the engagement period, CMS entered into a Memorandum of Understanding (MOU) with DoIT to ensure 1) any Information Technology (IT) equipment controlled by DoIT transferred to CMS Surplus Property for disposal, sale or transfer would be wiped of any and all data prior to the transfer and 2) DoIT staff, under the direction of the Chief Information Officer, would ensure any IT equipment received by CMS from a university or agency outside the jurisdiction of DoIT is properly wiped of all data prior to transfer to any other entity other than CMS. DoIT is to maintain records and/or logs of the processes used to wipe the data and will make the records and/or logs available to CMS upon request.

Auditors requested CMS provide a population of IT equipment sent to DoIT for wiping. However, CMS was unable to provide a population of IT equipment. CMS did provide the certificates received from DoIT documenting the wiping process completed. Due to CMS not providing a population of the IT equipment sent to DoIT during the engagement period, auditors were unable to conclude CMS' population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test CMS' compliance with the Act.

This finding was first noted during the engagement for the two years ended June 30, 2013. In the subsequent years, CMS has been unsuccessful in implementing a corrective action plan.

CMS management stated the cause for the noted issues was **the inability to implement legislative remedy to transfer** the responsibility of the Act from CMS to DoIT.

Failure to ensure and document computer equipment is wiped on a timely basis increases the risk of unauthorized disclosure of confidential and sensitive information.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Partially Implemented. CMS will continue to seek legislative remedy to transfer the responsibility of the Data Security on State Computers Act from CMS to DoIT. In addition, DoIT has updated the Return to DoIT Service Request in Service Now which will help in identifying and documenting the return of all surplus IT equipment. This feature needs to be tested for accuracy.

13. The auditors recommend CMS ensure users' access rights are terminated in a timely manner.

FINDING: *(System access weaknesses) - New*

CMS had not established adequate controls for accessing its computing environment.

During fieldwork, auditors examined CMS' system access controls over the following significant applications:

- Enterprise Resource Planning (ERP)
- FleetFocus FA and the Vehicle Information Billing System
- MyBenefits
- Tenancy Rate Management System (TeRMS)
- Annual Survey Interface (ARPUR)
- Internet Billing System (IBiS)
- Deferred Comp (DEFC)
- Group Insurance Membership
- IBID/Asset Works

Their testing noted 9 of 13 (69%) Group Insurance Membership application users continued to have access after their separation. Access was removed **262 to 490 days after the users' separation date.**

CMS management stated the failure to perform annual user access reviews was due to **staff turnover and general oversight**.

Without the implementation of adequate access controls, there is an increased risk unauthorized individuals may gain access to applications and data.

RESPONSE:
CMS accepts the finding and recommendation.

UPDATED RESPONSE:
Implemented. CMS, with DoIT's support, developed a process to remove employees from the mainframe, Active Directory, and other programs/applications that no longer require access. CMS submits a request in the ServiceNow system and tracks the progress until the work is complete and ticket closed.

14. The auditors recommend CMS develop a department-wide disaster recovery plan to ensure the timely recovery of their application and data. Additionally, once developed, auditors recommend the Department periodically test the plan.

FINDING: *(Disaster recovery planning weakness) - New*

CMS had not developed a Department-wide Disaster Recovery plan.

In order to carry out its mission, CMS utilizes several IT applications including MyBenefits, Deferred Comp, and Group Insurance Membership. During their examination, auditors requested CMS' disaster recovery plan to ensure timely recovery of its applications and data. However, CMS had not developed a Department-wide disaster recovery plan.

CMS indicated a **lack of resources and COVID-19** prevented it from developing a department-wide disaster recovery plan.

Without an adequately documented and tested disaster recovery plan, CMS cannot ensure its critical applications could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster.

RESPONSE:
CMS accepts the finding and the recommendation. A draft of the Department- wide Disaster Recovery Plan is being reviewed for finalization.

UPDATED RESPONSE:
Partially Implemented. A draft of the CMS-wide Disaster Recovery Plan is being reviewed for finalization.

15. The auditors recommend CMS comply with the respective statutory requirements or seek legislative remedies as appropriate.

FINDING: *(Noncompliance with statutory mandates) – First and last reported 2019*

CMS did not comply with various statutory mandates.

During testing auditors noted the following:

- The State Prompt Payment Act (30 ILCS 540/11) where neither of the two reports tested contained the state contract number.

  CMS personnel indicated their programming does not currently collect the contract numbers and CMS is seeking legislation to amend or remove this requirement.

  Failure to include all required elements represents noncompliance with the Act and excludes valuable information for the users of the Report.

- The Illinois Procurement Code (30 ILCS 500/45-35)(e)(4)) (Code) requires the State Use Committee to prepare a report for the Governor and General Assembly no later than December 31 of each year. During their testing, auditors noted CMS submitted the FY20 State Use Program Annual Report **17 days late**.

  CMS management indicated the late submission was **due to oversight** during the transition from a previous administration.

  Failure to submit the State Use Program Annual Report timely may limit the General Assembly and Governor's ability to oversee the State Use Committee.

- The Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/8g) requires CMS to provide a report to the Business Enterprise Program Council (Council) identifying all state agency non-construction solicitations that exceed $20,000,000 and that have less than a 20% established goal prior to publication. The report is required to contain the following information: the name of the awardee, the total bid amount, the established Business Enterprise Program goal, the dollar amount and percentage of participation by businesses owned by minorities, women, and persons with disabilities, and the names of the certified firms identified in the utilization plan. The FY20 Business Enterprise Program Council 20/20 Contract Report omitted the following report components required by the Business Enterprise for Minorities, Women, and Persons with Disabilities Act:
  - Name of the awardee
  - Dollar amount and percentage of participation by businesses owned by minorities, women, and persons with disabilities
  - Names of the certified firms identified in the utilization plan

  CMS management indicated the missing report components were **due to an oversight caused by a change in personnel.**

  Failure to produce and submit reports with all required information could prevent the Council from receiving all relevant information and represents statutory noncompliance.

- The Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/5) appointed the Director as chairperson of the Business Enterprise Council for Minorities, Women, and Persons with Disabilities (Council) during the examination period. Public Act 101-0657 transferred the chairperson of the Council to the Commission on Equity and Inclusion after the examination period. The Council failed to review the state agencies' and public institutions' compliance plans during the engagement period. It is the Council's authority and responsibility to review compliance plans submitted by each state agency and public institutions of higher education (30 ILCS 575/5(2)(d)). CMS

CMS management indicated the Council's Compliance Subcommittee was unable to have enough members attend the meetings to form a quorum, so review of the compliance plans was delayed.

Failure to review state agencies' and public institutions' compliance plans represents statutory noncompliance and could result in inadequate or undetected errors in the compliance plans.

- The State Library Act (15 ILCS 320/21(a)) (Act) requires all state agencies provide and deposit with the Illinois State Library sufficient copies of all publications issued by the agency for its collection and for exchange purposes. During their testing, auditors noted two of four (50%) tested publications tested were not deposited with the Illinois State Library. Once CMS was notified of the requirement, they filed the publications with the Illinois State Library on February 24, 2022.

  CMS management indicated the failure to deposit copies of its issued publications with the Illinois State Library was **due to oversight and unfamiliarity** with the requirements of the Act.

  Failure to deposit copies of all agency publications into the Illinois State Library limits public access to CMS' documents, hinders the archival responsibilities of the State Library, and represents noncompliance with the Act.

- The Western Illinois Economic Development Authority Act (Act) (70 ILCS 532/20) creates the Authority to promote development within the geographic confines of Warren, Henderson, Hancock, McDonough, Fulton, Mason, Cass, Schuyler, Brown, Adams, Scott, Morgan, and Pike counties. The Act appoints the Director of CMS, or a designee as an ex-officio member of the Authority. CMS was unable to provide evidence of service to the Authority during the examination period. Additionally, the Authority's Board of Directors listing does not include a representative from CMS. CMS management indicated the designee as ex-officio of the Authority has been vacant for some time **due to oversight**. CMS further indicated it appointed an ex-officio member to the Authority in October 2021.

- The Civil Administrative Code of Illinois (20 ILCS 405/405-105(11)) (Code) requires that any settlement of a public liability claim filed against a state employee on the basis of an occurrence in the course of the employee's state employment to be approved by the Director and, in cases of settlements exceeding $100,000, by the Governor, and a settlement of any public liability claim against the state or a state employee shall require an unqualified release of any right of action against the state and the employee. During testing auditors noted:
  - Two of 40 (5%) settlements tested were not approved by the Director, as required by the Code.
  - One of 40 (3%) settlements tested did not include a statement signed by the claimant, approving the settlement and completing settlement of all claims against the named employee, the state, its officers and employees. This

release also waives and forgoes any further administrative or judicial course of action that the claimant may have or later be entitled.

CMS officials attributed the exceptions to **employee turnover** because the individual responsible for administering the settlement process retired during the engagement period.

Failure to meet all of the statutory requirements established for public liability claim settlements is a violation of state statute. A lack of oversight regarding the approvals could lead to overpayments of public liability claims. Additionally, failure to obtain the release waiving further administrative or judicial course of action could subject the state to additional liability.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-130(b)) created the State Government Suggestion Award Board (Board) to administer the State Government Suggestion Award Program (Program). The membership of the Board was to include eight members, appointed two each by the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives and, as ex-officio, non-voting members, the directors of the Governor's Office of Management and Budget and CMS. The Code (20 ILCS 405/405-130(a)) also requires CMS to assist in the implementation of the Program. The Board was mandated to meet monthly and annually report to the General Assembly by January 1st on the operation of the Program, including the nature and cost-savings of implemented suggestions, and any recommendations for legislative changes it deems appropriate.

  During the examination, auditors noted the Board did not meet or submit any reports to the General Assembly. <u>CMS did not provide evidence they took measures to implement the Program</u>. CMS provided no evidence of actions taken during the examination period to communicate with the agency they believed was responsible for designating the Chair regarding any future meetings or assistance needed. Neither did CMS provide any evidence of internal correspondence prepared or considerations made during the examination period to ensure CMS' compliance with their responsibilities under this mandate.

  CMS management indicated the Board was **inactive due to vacancies** so they could not carry out their duties in assisting in the implementation of the Program; however, the Board has since received the necessary appointments to reactivate the program. CMS further indicated the Board will begin the process of electing a new Chairman and establishing a meeting schedule for calendar year 2022.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-120) requires CMS to submit annually a State Hispanic Employment Plan and a State Asian-American Employment Plan to the General Assembly by February 1 with each State agency's activities in implementing the State Hispanic Employment Plan and the State Asian-American Employment Plan. <u>CMS submitted the Asian-American</u>

Employment Plans and the Hispanic Employment Plans **5 days late** in FY20 and **44 days late in FY21**. Additionally the Code 20 ILCS (405/405-125) requires CMS to collect information concerning each state agency's Hispanic, Asian-American, Native American, and bilingual employment budget allocations. **CMS did not collect this information.** Furthermore, CMS was unable to provide evidence they submitted a completed Bilingual Employment Plan Report in FY21. The Department stated that the late filings and failure to locate a completed Bilingual Employment Plan Report were due to staffing changes as well as steps to improve the structure of the reports and to fully engage the Employment Plan Councils in the process. CMS further stated current tracking and reporting do not provide the data to determine specific budget allocations based on various demographic spending.

- The Native American Employment Plan Act (Act) (20 ILCS 60/15) requires CMS to submit annually a Native American Employment Plan to the General Assembly by February 1 with each state agency's activities in implementing the State Native American Employment Plan. CMS submitted the Native American Employment Plan **five days late in FY20 and 44 days late in FY21**.

  CMS stated that the late filings were **due to staffing changes** as well as steps to improve the structure of the reports and to fully engage the Employment Plan Councils in the process.

- The African American Employment Plan Act (Act) (20 ILCS 30/15) requires the Department to submit annually an African American Employment Plan to the General Assembly by February 1 with each state agency's activities in implementing the State African American Employment Plan. CMS submitted the African American Employment Plan **five days late in Fiscal Year 2020 and 44 days late in FY21**. Additionally, the Act (20 ILCS 30/20) requires CMS to collect information from each state agency on findings made by the Governor in his or her report to the General Assembly and information concerning each state agency's African American employment budget allocations. CMS did not collect this information. Furthermore, the Act (20 ILCS 30/25) created the African American Employment Plan Advisory Council consisting of eleven members with CMS providing administrative support. The African American Employment Plan Advisory Council only consisted of ten members during the engagement period. Lastly, the African American Employment Plan Advisory Council is required to submit an annual report to the General Assembly by February 1 of each year. The African American Employment Plan Advisory Council Annual Report was included in the African American Employment Plan Annual Reports, which was submitted **five days late in FY20 and 44 days late in FY21.**

  CMS stated that the late filings were **due to staffing changes** as well as steps to improve the structure of the reports and to fully engage the Employment Plan Councils in the process. CMS further stated current tracking and reporting do not provide the data to determine specific budget allocations based on various demographic spending. Additionally, CMS stated the membership of the Councils is fluid due to new council members and departing council members. CMS also stated that as vacancies occur, CMS and councils recommend potential members follow the process of applying for council membership through the online application through the Governor's office.

RESPONSE:

CMS accepts the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented.

- State Prompt Payment Act (30 ILCS 540/11) - CMS continues to explore its options to comply with the statutory requirement or seek legislative remedy.
- Illinois Procurement Code (30 ILCS 500/45-35)(e)(4)) - Implemented - CMS has taken the necessary steps to comply with the respective statutory requirements. BOSS has created an external reports calendar and documented the due date of the State Use Annual Report to ensure future submissions are sent timely.
- Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575) - 30 ILCS 575/5.5(d), as amended by PA 102-0029, transfers the Council and BEP functions to the Commission on Equity & Inclusion (CEI) effective June 25, 2021 (CEI became a functioning Commission on January 1, 2022). As such, CMS no longer has access to the data required to fulfill the requirements.
- State Library Act (15 ILCS 320/21(a)) - Implemented - CMS filed the publications with the Illinois State Library on February 24, 2022.
  - Western Illinois Economic Development Authority Act (70 ILCS 532/20) - Implemented - The Department appointed an ex-officio member to the Authority in October 2021.
- Civil Administrative Code of Illinois (20 ILCS 405/405-105(11)) - Implemented - CMS ensures all appropriate reviews and signatures are obtained when reviewing and approving settlements.
- Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-130) - CMS is seeking to establish by-laws for the Suggestion Award Board. As the Code provides eight board members, CMS is reviewing legal options to break a potential tie when selecting a Chair. Additionally, CMS is reviewing any prior suggestions that can be presented to the Board for consideration. CMS will take the necessary steps to comply with the statutory requirements.
- Civil Administrative Code of Illinois (20 ILCS 405/405-120) - Implemented - CMS submitted the 2022 reports timely on 2/1/22. CMS has engaged CMS Internal Personnel as well as the CMS Data team to ensure that requests for all applicable data are tracked and collected as available. If not available or no response from agencies (including CMS) they will be noted in the report.
- Native American Employment Plan Act (20 ILCS 60/15) - Implemented -
- African American Employment Plan Act (20 ILCS 30/15) - Implemented -

16. The auditors recommend CMS finalize the rules affecting the State Employees' Group Insurance Program and file those with JCAR in accordance with the Acts.

FINDING: *(Failure to implement the rules describing the State Employees' Group Insurance Program) - New*

CMS has not submitted rules or policies describing the State employees' group insurance programs as requested by the Joint Committee on Administrative Rules (JCAR).

During past compliance examinations, auditors obtained evidence of the development of rules describing the State Employees' Group Insurance Program. At these times, the rules were considered to be in draft form pending negotiations with collective bargaining units and had not been filed with JCAR. As of their testing, the rules remained in draft form and CMS management continued its efforts to finalize the rules.

CMS management indicated the rules have been updated to reflect additional changes made to the State Employees Group Insurance Act of 1971 (5 ILCS 375 by Public Act 102-19), which was signed into law on June 25, 2021. CMS management indicated it cannot submit the rules to JCAR until it makes final adjustments to the draft rules for formatting and ensuring they are free of technical errors. At that time, the rules will be submitted to the Governor's Office for review and approval to file with JCAR for adoption.

CMS is in non-compliance with the Acts. Failure to implement and file rules with JCAR describing the State Employees' Group Insurance Program increases the likelihood that beneficiaries of the program will be uninformed as to their rights.

RESPONSE:
CMS accepts the finding and recommendation. CMS is in the process of updating and finalizing the previously drafted comprehensive rules for the Program. These previously drafted comprehensive rules for the Program have gone through several rounds of review and edits due to Program changes. Additional changes to the program in light of pending legislation will need to be incorporated into these previously drafted rule changes, once enacted. These recent rule changes will be incorporated into the previously drafted comprehensive rules to be rotated for final reviews and edits. CMS has set a goal of being in full compliance with this recommendation by the end of September 2022.

UPDATED RESPONSE:
Partially Implemented. No change.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2022, CMS had 51 employees assigned to locations others than official headquarters.