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COMPTROLLER MENDOZA ANNOUNCES MAJOR STATE CONTRACT AND SPENDING REFORMS IN WAKE OF ABUSES

New accountability measures needed in light of audit uncovering major contract mismanagement by Rauner Administration

SPRINGFIELD — Illinois State Comptroller Susana A. Mendoza today announced that her office would institute new contract reporting requirements to prevent future spending and procurement abuses of the nature identified by the state Auditor General in a special audit of the Illinois employee benefit management system.

Last week, the Office of the Illinois Auditor General outlined a laundry list of serious problems in a 118-page audit with the nearly $100 million MyBenefits Marketplace human resources solution from Toronto-based outsourcing company Morneau Shepell.

Among many concerns, the report noted that the Rauner administration rushed through the $94 million dollar contract for work that could have been performed with existing state resources, bypassed necessary ethical disclosures by state officials and ignored minority business participation goals.

Instead of saving taxpayers money, the contract cost them $94 million and create headaches for users.

Once the contract was in place, the Rauner administration refused to enforce performance standards that were repeatedly missed by the company. They had at least 24 chances to act given the 24 breaches of contract identified in the audit.

“At a time when our state could least afford it, MyBenefits was an unnecessary fiasco,” Comptroller Mendoza said. “Former Governor Bruce Rauner replaced a system that had functioned for decades with a broken one. Even worse, his misguided privatization initiative came with a $100-million price tag, and created new jobs not in Springfield, Illinois, but in Atlanta, Georgia.”
When it debuted in September 2016, MyBenefits promised to serve as a one-stop human resources shop for 450,000 state employees and retirees, including teachers and university staff. It replaced a more traditional system wherein human resource and benefit administration were handled by agency staff in conjunction with Central Management Services (CMS).

MyBenefits shifted state program administration from CMS offices in Springfield to a Morneau Shepell call center in Atlanta where the Canadian company created between 100 and 115 new jobs.

Following its rollout, MyBenefits users soon reported wrongful termination of health insurance for new retirees; unexplained changes in life insurance policies; difficulty accessing flex spending accounts; difficulty receiving claims reimbursements; and payroll errors.

Mendoza’s office will now suspend over $5.7 million in payments to the vendor pending further review. Next steps regarding outstanding payments to the company are to be determined, Comptroller Mendoza said.

“What happens next is going to be a balancing act. Taxpayers must be represented and employees and retirees need continuity when it comes to their benefits, especially health care. Should the contract be renegotiated or invalidated? Do we bring these functions back in house? What’s clear is Morneau Shepell failed to meet performance standards, and they owe it to the State of Illinois and the nearly 500,000 MyBenefits users to make this situation right as soon as possible,” Comptroller Mendoza said.

Mendoza’s office will also implement new contract reporting standards for Information Technology vendor agreements over $5 million. State agencies will be required to provide certifications that all conflict of interest disclosures have been submitted by state employees. If minority contracting goals aren’t included in a contract, agencies will have to explain why they have been omitted.

Most significantly, the Comptroller will implement an Information Technology Milestone report that, for the first time, will require state agencies to publish progress and performance updates on ongoing IT initiatives.

Comptroller Mendoza said both state agencies and the IT vendor community need to work quickly to restore confidence and integrity to the contract procurement and performance process.

“Over the last four years, the state has expended hundreds of millions of taxpayer dollars on IT projects, like MyBenefits, with little or nothing to show for it. Its past time to bring more transparency and accountability to a function that ultimately costs the state over $1.5 billion each year,” Mendoza said.

The state audit found:
- The Rauner administration rushed into a nearly $100 million contract with Toronto-based company Morneau Shepell for a new human resources system for state workers and retirees.
- The system has been riddled with problems, including payroll errors and dropped insurance coverage.
- The administration refused to enforce performance standards that were repeatedly missed.
- The administration bypassed conflict of interest disclosures and minority business participation goals.
- The services sought in the contract could have been executed with resources the state already had.

Comptroller Mendoza’s state IT contract reforms will:
- Require agencies to publish progress reports on ongoing IT projects, so taxpayers can see if vendors are delivering the goods and services promised under contract with the state.
- Require agencies provide certifications that conflict of interest and ethical disclosures have been submitted.
- If minority contracting goals are excluded, require agencies explain why they’ve been omitted.

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