



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE POLICE

Compliance Examination
 For the Two Years Ended June 30, 2020

Release Date: May 4, 2021

FINDINGS THIS AUDIT: 32	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	6	6	12	2018	20-03		
Category 2:	15	5	20	2016	20-05	20-15, 20-23	
Category 3:	0	0	0	2012	20-04	20-22	
TOTAL	21	11	32	2010	20-02, 20-11	20-21	
				2004		20-14	
FINDINGS LAST AUDIT: 14				2002	20-01		

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse opinion** on the Illinois State Police’s compliance with the specified assertions which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

SYNOPSIS

- **(20-01)** The Department did not exercise adequate control over State property and equipment.
- **(20-02)** The Department did not properly maintain accounts receivable records and failed to accurately report accounts receivable on the Quarterly Summary of Accounts Receivable Reports to the Office of the State Comptroller.
- **(20-06)** The Department lacked due diligence over the transition to the Enterprise Resource Planning program (ERP).
- **(20-07)** The Department did not timely process Firearms Owners Identification (FOID) and Concealed Carry applications.
- **(20-08)** The Department did not issue or deny certificates of license for filings by federal licensees as required by the Firearms Dealer License Certification Act.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

**ILLINOIS STATE POLICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

Usually, digests of compliance reports released by the Auditor General include certain key expenditure statistics, receipts processed, and the total number of employees at the auditee. As described in Finding 2020-012 (pages 40 – 42), the Department’s internal controls were inadequate to (1) prepare the schedules and components (report components) and (2) demonstrate the report components Department management prepared were complete and accurate. As this part of the normal digest consists of data derived from various report components within the Department’s *Compliance Examination Report*, this information is unable to be provided.

DEPARTMENT DIRECTOR
During Examination Period: Mr. Leo Schmitz (07/01/18 - 01/20/19), Mr. Brendan F. Kelly (Acting) (01/21/19 - 10/29/19), and (Mr. Brendan F. Kelly (10/30/19 - Present)
Currently: Mr. Brendan F. Kelly

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER PROPERTY AND
EQUIPMENT**

The Illinois State Police (Department) did not exercise adequate control over State property and equipment.

Accountants unable to determine the Department's property records were sufficiently precise and detailed

Due to the following process and control deficiencies identified below, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) in order to test the Department's controls over State property and equipment.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed testing. Below are some of the items noted:

55 missing items which could have lost confidential information

- During review of the Department's discrepancy listings, we noted the Department did not have adequate controls over lost or missing property. We noted 55 of 60 (92%) items listed as lost or missing could possibly have confidential information stored on them. Items included servers, computers, laptops, tablet, and a camera with a memory card.

Unreconciled difference between the Comptroller's expenditure records and Department property records of \$29,576,029

- When attempting to reconcile the Department's equipment purchase records to the Office of the Comptroller's (Comptroller) record of equipment expenditures, we noted the Department was unable to reconcile the differences noted between the Object Expense/Expenditures by Quarter Report (SA02) and the Agency's Report of State Property (C-15) reports. During the engagement period, the Department had \$81,877,026 in gross equipment and electronic data processing expenditures. However, only \$52,300,997 in gross equipment and electronic data processing expenditures were reported.

Unknown activity of \$2,335,955

- When attempting to reconcile the Department's Fiscal Year 2020 schedules of additions, deletions, and transfers to the Department's Fiscal Year 2020 property control listing, we noted \$2,335,955 of unknown activity which was not reported on the Department's Fiscal Year 2020 schedules of additions, deletions, and transfers. The Department was unable to identify the unknown activity.

\$12,466,712 discrepancy between the Department's property listing and reports submitted to the Comptroller at June 30, 2020

- The Department's property records at June 30, 2020 and 2019 did not agree to the C-15 reports submitted to the Comptroller by approximately \$12,466,712 and \$692,707, respectively. Management attempted a reconciliation for June 30, 2020 and identified \$692,707 of property that should have been recorded to the Department's property records. The Department did not attempt to prepare a reconciliation between the Department's records and the C-15 reports at June 30, 2019.

Department did not attempt to prepare reconciliations

- The Department's Fiscal Year 2020 and Fiscal Year 2019 records of additions, deletions, and transfers did not agree to the C-15 reports submitted to the Comptroller by \$628,528 and \$17,155,753, respectively. The Department did not attempt to prepare a reconciliation between the Department's Fiscal Year 2020 and Fiscal Year 2019 records of additions, deletions, and transfers and the C-15 reports.

Annual Certification could be inaccurate

- The Fiscal Year 2020 and Fiscal Year 2019 Annual Certification of Inventory could be inaccurate based upon failure to perform reconciliations of the Department's property records. The Fiscal Year 2020 Annual Certification of Inventory reported 661 missing items totaling \$2,243,766 or 0.72% of the total inventoried items. The Fiscal Year 2019 Annual Certification of Inventory reported 626 missing items totaling \$1,198,804 or 0.71% of the total inventoried items.

Equipment could not be located

- Seven of 60 (12%) equipment items, totaling \$23,344, were reported on both Fiscal Year 2020 and Fiscal Year 2019 Annual Certification of Inventory as being unable to be located. The seven items were not removed from the Department's June 30, 2020 property records.

Department did not record capital leases during the examination period

- Nineteen of 29 (66%) leases tested were not located on the Department's property listing as the Department did not record Fiscal Year 2019 and Fiscal Year 2020 capital leases to the Department's property control records. In addition, the Department did not maintain a detailed listing of leased equipment.

18 tested lease forms did not report the lease's fair value at inception

- Eighteen of 29 (62%) leases tested did not report the correct Fair Value at Inception on the Accounting for Leases-Lessee (SCO-560) form.

Asset additions incorrectly reported

- Two of 2 (100%) Capital Development Board (CDB) transfer additions, totaling \$583,935, were not recorded

on the Department's property records. (Finding 1, pages 11-19) **This finding has been repeated since 2002.**

We recommended the Department develop procedures to immediately assess if an electronic device may have contained confidential information whenever it is reported lost, stolen, or missing during the annual physical inventory, and document the results of the assessment. We also recommended the Department ensure all equipment is accurately and timely recorded or removed from the Department's property records and ensure accurate reports are submitted to the Comptroller. Additionally, we recommended the Department update its property control manual and strengthen its controls over the recording and reporting of its State property and equipment by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements.

Furthermore, we recommended the Department reconcile its property records to the Comptroller's records and proper reviews be completed.

Department concurred with accountants

Department management concurred with the finding and stated they are working to correct their records.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Illinois State Police (Department) did not properly maintain accounts receivable records and failed to accurately report accounts receivable on the Quarterly Summary of Accounts Receivable Reports (Reports) to the Office of the State Comptroller. We noted the following:

Department unable to provide detailed accounts receivable records

- The Department was unable to provide detailed individual accounts receivable records for the General Revenue Fund, Road Fund, State Garage Revolving Fund, Illinois State Toll Highway Authority Fund, Over Dimensional Load Police Escort Fund, Drug Traffic Prevention Fund, and State Police Services Fund.

Accounts receivable were not recorded when a claim for future cash existed

- During the analytical review of the Department's accounts receivable activity, billings and collections were largely identical. The Department stated they were recording accounts receivable at the time of receipt of payments instead of when the claim for future cash was reasonably estimable and measurable.

Unable to provide policies or procedures for handling accounts receivable

- The Department was unable to provide policies or procedures for handling and reporting its accounts receivable, tracking and monitoring complaints received, posting delinquent accounts receivable into the

Comptroller's Illinois Debt Recovery Offset System or pursuing other debt collection procedures, and writing off uncollectible receivables.

- Thirteen of 64 (20%) fund Reports tested were filed between 57 to 149 days late.

Accountants unable to test accounts receivable activity

As a result of the noted weaknesses, we were unable to conduct detailed testing of the Department's accounts receivable. (Finding 2, pages 20-22) This finding has been repeated since 2010.

We recommended the Department maintain accurate and detailed records of all billings and the corresponding collections to facilitate proper reporting of accounts receivable activity. We also recommended the Department strengthen procedures and allocate necessary resources to properly post accounts receivables and associated payments. Lastly, we recommended the Department file reports timely in accordance with SAMS.

Department concurred with accountants

Department management concurred and stated they will continue to work with the accounts receivable procedures and processes to become compliant in this area.

LACK OF DUE DILIGENCE OVER ERP TRANSITION

The Illinois State Police (Department) lacked due diligence over the transition to the Enterprise Resource Planning program (ERP).

Department converted to the ERP in January 2020

In January 2020, the Department implemented the State's ERP as its business process management system for the tracking of assets, contracts, obligations, and vouchers.

Unable to provide reconciliations of data in the legacy systems to ERP to show data had converted correctly

As part of the Department's transition to the ERP, they converted data from legacy systems. In order to determine if the data had converted correctly, we requested the Department's documentation and reconciliations. However, the Department was unable to provide documentation and reconciliations of opening balances in the ERP to ensure the correct balances were transferred. (Finding 6, page 29)

We recommended the Department establish controls over reconciliation and conversion of data during system development projects, such as the ERP.

Department concurred with accountants

Department management concurred and stated they will diligently try to take a larger role in any future conversions to ensure accuracy over records.

FAILURE IN PROCESSING OF FOID AND CONCEALED CARRY APPLICATIONS TIMELY

The Department did not timely process Firearm Owners Identification (FOID) and Concealed Carry applications. We noted the following:

Delays in processing applications up to 363 days

- Thirteen of 15 (87%) FOID applications were not processed within 30 days, with delays ranging from 2 to 363 days.

Delays in processing renewals up to 214 days

- Nine of 15 (60%) FOID card renewal applications were not processed within 60 business days, with delays ranging from 10 to 214 days.

Department unable to demonstrate it deposited \$7,128, 280 in FOID fees in accordance with State law

- The Department could not provide documentation to demonstrate the FOID card application fees were deposited in accordance with the Firearm Owners Identification Card Act. During Fiscal Years 2019 and 2020, the Department reported collecting FOID application and renewal applications fees totaling \$3,834,625 and \$3,293,655, respectively.

Delays in processing concealed carry applications up to 70 days late

- 13 of 30 (43%) Concealed Carry applications were not processed timely, with delays ranging from 28 to 70 days late.

Department unable to demonstrate it deposited concealed carry fees in accordance with State law

- The Department could not provide documentation to demonstrate the Concealed Carry application fees were deposited in accordance with the Firearm Concealed Carry Act. (Finding 7, pages 30-31)

We recommended the Department allocate the necessary resources to process applications in a timely manner and ensure documentation fees are deposited in accordance with the Acts.

Department concurred with accountants

Department management concurred and stated the Department will begin taking the necessary steps to develop an action plan which identifies a solution to rectify these findings and ensure they are resolved.

FAILURE TO COMPLY WITH FIREARMS DEALER LICENSE CERTIFICATION ACT

The Department did not issue or deny certificates of license for fillings by federal licenses as required by the Firearm Dealer License Certification Act.

1,138 federal firearms licenses filed for certification are in “review status pending”

According to the Department’s records, beginning May 2019 through June 2020, 1,138 federal firearms licenses were filed for certification. Additionally, the Department’s records stated

the 1,138 federal firearm licenses were in “review status pending.”

Department officials indicated “initial certification” is not defined

According to the Department, due to the lack of a definition of what an “initial certification” was to entail, a compliance letter was sent for each submission. The compliance letter stated the Department was in “receipt of a copy of your Federal Firearms License and affidavit attesting to its validity in compliance with 430 ILCS 68/5-10 of the Firearm Dealer Certification Act.” However, we could not determine if a compliance letter had been sent to the 1,138 federal firearm licenses within 30 days due to a lack of information.

Accountants unable to determine if a timely compliance letter was sent to any of the licensees

Department adopted emergency administrative rules to create a process to verify the federal firearms license information submitted for its certification

In addition, effective January 3, 2020, emergency administrative rules (20 Ill. Admin. Code 1232) were adopted creating a process for the verification of the federal firearms license information submitted for certification. However, the Department did not comply with the emergency administrative rules.

Department management did not follow those rules because they were “unfair” to the dealers

Department management stated it was determined the emergency administrative rules, prepared by the Department, were “unfair” to the dealers; therefore, they were not followed. Department management further stated they have subsequently worked with various parties to modify the emergency administrative rules (Finding 8, pages 32-33).

We recommended the Department issue certificates of licenses to applicants within the timeframe established by Firearm Dealer Certification Act and comply with the administrative rules.

Department partially concurred with accountants

Department management concurred in part with the finding and stated that they postponed enforcing the emergency administrative rules since they were subject to change and could result in significant financial impact to dealers.

Accountant’s Comment

In an accountant’s comment, we noted the Department disputes the statement in the finding that the Department did not follow its emergency administrative rules because the Department determined those rules were unfair to the dealers. This information was provided by Department management to the auditors in a phone conversation on March 26, 2021. Although we understand the Department no longer agrees with this statement, the finding accurately represents the Department’s position at the time of our fieldwork.

The auditors would further point out that adoption of rules is optional and not necessary for the Department to carry out its responsibilities under the Act and, therefore, the absence of rules does not excuse its non-performance.

OTHER FINDINGS

The Department had many other findings described within its *Compliance Examination Report*. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Finding 2020-001 through Finding 2020-032, the accountants stated the Department did not materially comply with the specified requirements described in the report.

This compliance examination conducted by West & Company, LLC.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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