



William G. Holland
AUDITOR GENERAL

ILLINOIS *Emerging and Potential Audit Issues* **Audit** ADVISORY

AUDITOR GENERAL'S MESSAGE

On December 31, 2015, I will retire as Auditor General.

My twenty-three year tenure in this position spans the terms of five different governors, six comptrollers, and five treasurers. During this timeframe, audits issued by our Office have received sixteen awards from the National Legislative Program Evaluation Society and five awards from the National State Auditors Association. We have undergone eight triennial peer reviews – each of which resulted in a clean (unmodified) opinion. We have implemented four revisions to *Government Auditing Standards* promulgated by the U.S. Government Accountability Office, and there have been 60 new GASB pronouncements and numerous expanded, amended and clarified Statements on Auditing Standards and Statements on Standards for Attestation Engagements. We adopted a Statewide Single Audit approach and followed applicable changes made in OMB Circulars and the Federal Compliance Supplement. We have also carried out several new and significant duties, including creation of the State Actuary, the issuance of Taxpayer Accountability Reports, and the start up of a Fraud Hotline. Together we survived Y2K, the 2002 early retirement incentive that resulted in the loss of many seasoned fiscal professionals, and the centralization (and subsequent decentralization) of agency internal auditors. And I personally spent several hours testifying about our audit findings at the impeachment and subsequent trial of a sitting Illinois Governor.

Much has changed in twenty-three years.

But what has not changed is my admiration for the many people in State government who have the heart of a public servant and who work hard every day to provide necessary services like public education, child protection, highway construction, nursing home inspections, economic development, housing, food and medical care to Illinois citizens from every economic level and geographic area.

I want to thank all State government workers, but especially current and former employees of the Auditor General's Office without whom none of the Office's accomplishments would have been possible.

Yours truly,

WILLIAM G. HOLLAND
September 2015

PROTECTING PERSONAL INFORMATION

As the use of electronic media to transmit and store Personally Identifiable Information (PII) continues to increase, so does the need to effectively safeguard this information. Almost on a daily basis there are news reports of breaches of private or public databases. Release of confidential personal information not only creates hardship on the individuals whose private information has been compromised, it also creates significant obligations on the private or public entity which was responsible for safeguarding the information.

Requirements to protect personal information are outlined in laws, such as the Personal Information Protection Act (815 ILCS 530), Identity Protection Act (5 ILCS 179), and the federal Health Insurance Portability and Accountability Act (HIPAA).

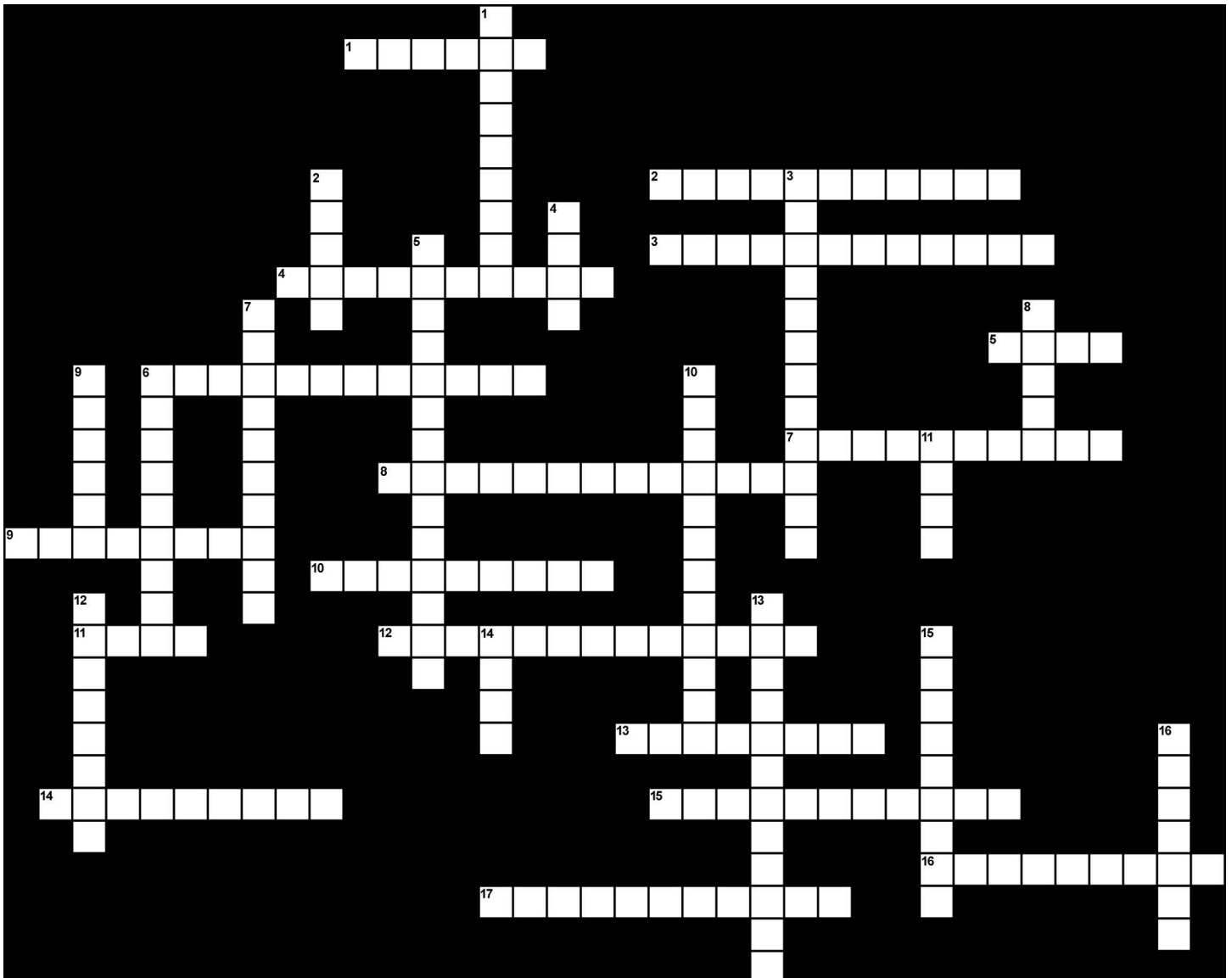
The Auditor General's Office has identified weaknesses in the implementation of controls to protect confidential information at State agencies. Examples of poor practices include:

- Sending confidential PII, such as Social Security Numbers or Protected Health Information, over the Internet in clear, unencrypted text. Agencies need to be aware that even the use of secure web delivery is limited as it generally only encrypts the transmission and not the email or attachments. Additionally, the email and attachments would not be protected (encrypted) in the sender's out-box, recipient's in-box, or archived copies. The Department of Central Management Services offers agencies a strong encryption resource to protect emails or attachments. (Information on encryption can be found at <http://www.illinois.gov/bccs/services/catalog/security/PKI/Pages/default.aspx>)
- Transporting confidential information on laptops or storage devices without utilizing encryption. Simply having a password on the laptop or file does not adequately protect this information.
- Improperly storing or disposing of documents containing confidential information. Documents containing PII need to be properly safeguarded and access to those documents controlled. When no longer needed, these documents need to be properly disposed (e.g., shredded in a secure manner).

A LOOK BACK ON 20 YEARS OF AUDIT ADVISORIES

We began publishing the Audit Advisory in 1995 as a way to proactively interact with State agencies. The primary purpose of the Advisory was to inform agency management and fiscal staff of audit issues we were encountering at other agencies so they could address these matters before they became findings at their agencies. The Advisory also kept agencies informed of changes in auditing and accounting standards and State laws, as well as relevant changes in our audit processes.

Given that this is my last edition of the Advisory as Auditor General, I thought it would be fun (at least from an auditor's perspective!) to develop a crossword puzzle which draws upon matters discussed over the past 20 editions of the Advisory. So have at it. If you get stuck, all 20 prior editions of the Advisory are located on our website, as well as the answers to this puzzle: <http://www.auditor.illinois.gov/Other-Public-Documents/audit-advisories.asp>



ACROSS

1. A 1999 article first discussed the issue of _____ findings, where agencies have not implemented recommendations from a prior audit.
2. A 2007 article dealing with workplace environment and fraud noted several actions management can take, including letting employees know they will be held _____ for their actions.
3. A 2001 article on _____ monitoring, noted that one-third of the findings in the Statewide Single Audit dealt with inadequacies in agencies' monitoring of funds given to grantees and other entities.
4. The 2013 Advisory contained an article which discussed the need for agencies to do effective _____ planning, given the large number of State employees retiring in recent years.
5. The lead article in the 2003 Advisory focused on problems experienced in audits with agencies submitting untimely or inaccurate _____ forms to the Comptroller's Office.
6. The 2014 Advisory contained a letter the Auditor General sent to the Governor and Comptroller acknowledging _____ in the State's financial reporting, noting the hard work of agency, Comptroller, Governor, Governor's Office of Management and Budget's, and Office of the Auditor General staff.
7. The 1997 Advisory contained extensive discussion and examples of _____ controls, which include the plan or organization, methods, and procedures to ensure that resource use is consistent with legal requirements and policies, that resources are safeguarded against waste, loss, and misuse, and that reliable data is maintained.
8. A 2012 article discussed findings at State agencies pertaining to the failure to properly develop and document the basis for estimating _____ receivables (such as taxes or loan payments that will not be received).
9. The 2013 Advisory contained a letter the Auditor General sent to the Governor and Comptroller regarding problems experienced by auditors with agencies' financial reporting and noted that the current process is overly reliant on the _____ post-audit process identifying errors and omissions in financial reports.
10. A 1999 article informed agencies of an important change being made in the OAG audit program. The OAG would no longer be performing single audits on an individual departmental basis, but be switching to a _____ single audit.
11. A 1998 article discussed the need for agencies to assess the _____ of fraud, wherein employees may be diverting agency resources for personal gain.
12. A 2004 article discussed the new AICPA Statement on Auditing Standards No. 99: _____ of Fraud in a Financial Statement Audit.
13. The 2011 Advisory summarized the _____ from the OAG's management audit on the State's Financial Reporting System.
14. The 2009 Advisory contained an extensive discussion of problems associated with the State's _____ reporting process that does not allow the State to complete the Comprehensive Annual Financial Report or Schedule of Expenditures of Federal Awards (SEFA) in a timely manner.
15. The 2010 Advisory contained tips an agency should follow to help expedite an audit. One tip was that if agencies don't understand what the auditors are requesting, they should follow up with the auditors _____, rather than waiting until the information is due.
16. The 2014 Advisory contained the first _____ puzzle in the 20 year history of the Audit Advisory.
17. The 2008 Advisory contained excerpts from a speech the Auditor General made to the Springfield Chapter of the Institute of Internal Auditors. The Auditor General noted that increasingly his auditors were experiencing delays in receiving requested _____, failure to report suspected fraud, and limited access to agency personnel.

DOWN

1. A 1996 article summarized recommended computer security standards, including that _____ be changed every 35 days.
2. The 2012 Advisory contained an article on the _____ hotline that the Auditor General's Office established pursuant to Public Act 97-261.
3. A 1995 article discussed the need for agencies to monitor _____ benefit payments. An OAG study found that seasonal employees continued to receive these payments even after they returned to work.
4. The 2011 Advisory noted that it did not appear that some agency managers were using the annual assessment required by the Fiscal Control and Internal Auditing Act which is an important _____ for management to identify internal control weaknesses and take immediate corrective action.

5. A 2004 article explained the importance and role the management _____ letter plays in the audit process.
6. A 2008 article discussed agency management's responsibilities as they related to an OAG audit, one of which was to respond to auditor's _____ about suspected fraud, illegal acts, or noncompliance in a forthright and truthful manner, even if they have been forwarded to the EOIG, State Police, Attorney General, or a prosecutorial agency.
7. A 2003 article contained examples of recent findings, one of which was that _____ assigned vehicles were not evaluated annually to determine whether the assignment was still justifiable and in the best interests of the State.
8. A 1996 article informed agencies of a change in the _____ period (when outstanding liabilities as of June 30, payable from expiring appropriations, must be processed), which was reduced from three to two months.
9. The 2002 Advisory summarized changes to the _____ Payment Act, which delineates requirements for processing payments to vendors and when interest penalties must be paid by the State.
10. A 2006 article examined the recently enacted Personal Information Protection Act which requires _____ to Illinois residents if the security over their personal information is breached.
11. The 2000 Advisory informed State agencies as to the OAG's preparations to implement _____ 34, which was set to become the new reporting model for governments.
12. A 2005 article examined the need for improvements in agencies' contracting processes and controls. One finding discussed was that _____ used to evaluate proposals were not included in the RFP.
13. The 2010 Advisory contained tips an agency should follow to help expedite an audit. One tip was that when agencies provide _____ information to the auditors, they should clearly mark it as being _____ and provide the legal basis for treating it as such.
14. A 1997 article provided guidance to agencies as to what documentation they needed to maintain while the Comptroller's office was transitioning from the CUSAS system to the current _____ system.
15. A 2000 article discussed the significant increase in _____ purchases from 1995 to 1999. These types of purchases should only be used for situations delineated in the Procurement Code, not because an agency's planning for procurements was inadequate.
16. I have been _____ to be Illinois' Auditor General for 23 years.

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