



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEAF AND HARD OF HEARING COMMISSION

Compliance Examination
 For the Two Years Ended June 30, 2017

Release Date: August 15, 2018

| FINDINGS THIS AUDIT: 6 | AGING SCHEDULE OF REPEATED FINDINGS | | | | | | |
|------------------------|-------------------------------------|--------|-------|--------------------|------------|------------|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 3 | 0 | 3 | No Repeat Findings | | | |
| Category 2: | 3 | 0 | 3 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 6 | 0 | 6 | | | | |
| FINDINGS LAST AUDIT: 1 | | | | | | | |

SYNOPSIS

- **(2017-001)** The Commission did not have adequate segregation of duties over its receipt and expenditure processing functions.
- **(2017-002)** The Commission did not ensure all monthly reconciliations of the Commission's receipt and expenditure records to the records of the Office of the State Comptroller were performed.
- **(2017-003)** The Commission did not maintain adequate controls over the receipts process to ensure all receipts were properly recorded.

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.

{Expenditures and Activity Measures are summarized on next page.}

**DEAF AND HARD OF HEARING COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

| EXPENDITURE STATISTICS | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|
| Total Expenditures..... | \$ 477,408 | \$ 469,267 | \$ 728,744 |
| OPERATIONS TOTAL..... | \$ 477,408 | \$ 469,267 | \$ 728,744 |
| % of Total Expenditures..... | 100.0% | 100.0% | 100.0% |
| Personal Services..... | 358,459 | 367,224 | 436,619 |
| Other Payroll Costs (FICA, Retirement)..... | 25,984 | 32,322 | 72,497 |
| All Other Operating Expenditures..... | 92,965 | 69,721 | 219,628 |
| Total Receipts (see Finding 2017-003)..... | \$ 171,824 | \$ 197,712 | \$ 205,211 |
| Average Number of Employees (Not Examined)..... | 5 | 5 | 7 |

| SELECTED ACTIVITY MEASURES (Not Examined) | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|
| Public inquiries addressed..... | 11,373 | 12,100 | 3,821 |
| Distribution of educational and informational materials..... | 20,188 | 58,100 | 30,418 |
| Interpreter skill development..... | 203 | 0 | 446 |
| Interpreters licensed..... | 724 | 679 | 575 |
| Number of Illinois Board for Evaluation of Interpreters (IL-BEI) certification tests..... | 282 | 243 | 135 |
| Applications processed..... | 1,025 | 617 | 1,204 |

| EXECUTIVE DIRECTOR |
|---|
| During Examination Period: John Miller (7/1/15 - 11/9/17), Vacant (11/10/17-12/27/17) |
| Currently: Tonia Bogener (Interim) |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE SEGREGATION OF DUTIES

The Deaf and Hard of Hearing Commission (Commission) did not have adequate segregation of duties over its receipt and expenditure processing functions.

During testing, we noted the following:

Inadequate segregation of duties over receipts in Fiscal Year 2016

- For receipt processing transactions during Fiscal Year 2016, the Commission's Director had the authority to perform all parts of the transaction cycle, including:
 - **Authorization** by reviewing and approving transactions, including endorsing checks, depositing funds into the State Treasury's clearing accounts, and preparing Receipt Deposit Transmittals (RDTs) and Expenditure Adjustment Transmittals (EATs);
 - **Custody** by handling and depositing physical checks and maintaining the electronic and physical records;
 - **Recordkeeping** by preparing entries and maintaining the Commission's internal accounting records; and,
 - **Reconciliation** by preparing reconciliations to the State Comptroller's records to verify each transaction's validity, proper authorization, and entry into the Commission's accounting records.

Commission had implemented a limited compensating control

We identified one compensating control, as the Commission's Personnel Manager assists in filing and depositing physical checks. However, the Commission's Personnel Manager does not review or approve the physical checks. The condition where one person has the authority to perform all functions represents a significant control weakness.

Inadequate segregation of duties over receipts in Fiscal Year 2017

- For receipt processing transactions during Fiscal Year 2017, the Commission's Personnel Manager had the authority to perform the following parts of the transaction cycle:
 - **Authorization** by reviewing and approving transactions, including endorsing checks, depositing funds into the State Treasury's clearing accounts, and preparing RDTs and EATs;
 - **Custody** by handling and depositing physical checks and maintaining the electronic and physical records; and,
 - **Recordkeeping** by preparing entries and maintaining the Commission's internal accounting records.

Not performing reconciliations limits ability of staff to identify errors

In addition, as noted in Finding 2017-002, we noted the Commission did not ensure reconciliations of its internal accounting records to the State Comptroller's records were performed throughout Fiscal Year 2017.

No compensating controls during Fiscal Year 2017

We did not identify any compensating controls to mitigate this significant control weakness over the Commission's receipt processing transaction cycle.

Inadequate segregation of duties over expenditures

- For non-payroll expenditures, the Commission's Assistant Director has the authority to perform the following parts of the transaction cycle:
 - **Authorization** by reviewing and approving transactions, including having signature authority;
 - **Custody** by maintaining electronic and physical records and submitting expenditures for payment to the State Comptroller; and,
 - **Recordkeeping** by preparing entries and maintaining the Commission's internal accounting records.

Not performing reconciliations limits ability of staff to identify errors

In addition, as noted in Finding 2017-002, we noted the Commission did not ensure reconciliations of its internal accounting records to the State Comptroller's records were performed throughout Fiscal Year 2017.

No compensating controls during the examination period

We did not identify any compensating controls to mitigate this significant control weakness over the Commission's non-payroll expenditure transaction cycle, which totaled \$68,238 during Fiscal Year 2016 and \$91,975 during Fiscal Year 2017. (Finding 1, pages 10-12)

We recommended the Commission implement procedures to limit one person from having the authority to perform all the functions associated with a transaction.

Commission officials agree

The Commission accepted the recommendation, noting it will review duties and responsibilities to segregate duties.

FAILURE TO PERFORM REQUIRED RECONCILIATIONS

The Commission did not ensure all monthly reconciliations of the Commission's receipt and expenditure records to the records of the Office of the State Comptroller (Comptroller) were performed.

During testing, we noted the following:

Receipt reconciliations not performed after September 2016

- Ten of 24 (42%) monthly reconciliations of the Commission's receipt records to the Comptroller's Monthly Revenue Status Report (SB04) were not performed. These

reconciliations were for the months of September 2016 through June 2017.

Expenditure reconciliations not performed after August 2016

- Fourteen of 28 (50%) monthly reconciliations of the Commission's expenditure records to the Comptroller's Monthly Appropriation Status Report (SB01) were not performed. These reconciliations were for the months of August 2016 through September 2017. (Finding 2, pages 13-14)

We recommended the Commission strengthen its controls and procedures to ensure its receipt and expenditures records are properly and timely reconciled to Comptroller records.

Commission officials agree

The Commission accepted the recommendation, noting it is developing procedures to complete its future reconciliations.

INADEQUATE CONTROLS OVER RECEIPTS

The Commission did not maintain adequate controls over the receipts process to ensure all receipts were properly recorded.

During testing, we noted the following:

Unable to provide adequate records to substantiate population of receipts

- The Commission was unable to provide adequate records substantiating the population of receipts collected during the examination period.
- The Commission's Fiscal Year 2016 and Fiscal Year 2017 receipt ledgers did not trace to the Monthly Revenue Status Report (SB04) prepared by the Office of the State Comptroller. We noted the SB04 reports included receipts totaling \$1,405 in Fiscal Year 2016 and \$3,187 in Fiscal Year 2017 which were not included on its internal ledger.

\$4,592 difference in receipts between the Commission and Comptroller

Due to these conditions, we were unable to conclude the Commission'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) to test the Commission's receipts.

Even given the population limitations noted above which hindered the ability of us to conclude whether selected samples were representative of the population as a whole, we performed tests of the available records and did not note any exceptions. (Finding 3, pages 15-16)

We recommended the Commission strengthen its receipts process to ensure all receipts are properly recorded and reconciled to the Comptroller's SB04 reports.

Commission officials agree

The Commission accepted the recommendation, noting it is working to strengthen its internal controls over receipts.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over Agency Fee Imposition Reports, untimely expenditure approvals, and property control weaknesses. We will review the Commission's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Commission for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2017-001, 2017-002, and 2017-003. Except for the noncompliance described in these findings, the accountants stated the Commission complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by the Office of the Auditor General's staff.

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

FJM:SJS