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# REPORT DIGEST

## ILLINOIS BOARD OF EXAMINERS

### COMPLIANCE EXAMINATION

For the Two Years Ended:  
June 30, 2009

#### Summary of Findings:

Total this report: 5  
Total last report: 7  
Repeated from last report: 4

Release Date:  
May 11, 2010



State of Illinois  
Office of the Auditor General  
**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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available on  
the worldwide web at  
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## SYNOPSIS

- The Board did not exercise adequate controls over disbursements.
- The Board did not have adequate internal controls over contractual services and agreements.
- The Board did not have adequate internal controls over its Memorandum of Understanding between the Board of Trustees of the University of Illinois and the Board.

{Expenditures and Activity Measures are summarized on the reverse page.}

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**ILLINOIS BOARD OF EXAMINERS**  
**COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2009**

CPA EXAMINATION TRUST ACCOUNT	FY 2009	FY 2008	FY 2007
<b>Balance at July 1</b> .....	<b>\$3,569,481</b>	<b>\$3,469,157</b>	<b>\$3,213,307</b>
Board Adjustment.....	\$39	\$(1)	\$0
Receipts			
Fees.....	\$1,348,111	\$1,320,527	\$1,219,161
Interest Income.....	\$44,742	\$113,593	\$172,374
Disbursements.....	\$1,209,422	\$1,333,795	\$1,135,685
<b>Balance at June 30</b> .....	<b>\$3,752,951</b>	<b>\$3,569,481</b>	<b>\$3,469,157</b>
<b>Cost of Property and Equipment</b> .....	<b>\$176,912</b>	<b>\$153,196</b>	<b>\$178,348</b>

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008	FY 2007
Average pass rates by section			
• Auditing (AUD) .....	53.9%	53.3%	48.9%
• Business Environment and Concepts (BEC) .....	55.9%	55.1%	52.2%
• Financial Accounting Reporting (FAR) .....	55.0%	55.4%	52.7%
• Regulation (REG) .....	56.1%	52.5%	49.5%
Number of candidates that passed the Uniform CPA Exam.....	1,804	1,537	1,222
First-time candidates for exam.....	2,706	2,632	2,166

<b>EXECUTIVE DIRECTOR</b>
<p style="text-align: center;">During Examination Period: Ms. Joanne Vician (through 2/27/09); Mr. Russell  Friedewald (effective 1/5/09)</p> <p>Currently: Mr. Russell Friedewald</p>

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**INAPPROPRIATE AND EXCESSIVE EXPENDITURES**

The Board of Examiners (Board) did not exercise adequate controls over disbursements. We noted the following:

- The Board could not provide support for the date invoices were received for three of 40 disbursements totaling \$3,568; therefore, we could not determine the timeliness of payment;
- Meals for University of Illinois employees who worked for the Board at headquarters were noted on seven of 21 disbursements totaling \$252;
- Purchases of alcohol totaling \$101;
- Meal expenses for Board guests or Board members' family totaling \$224;
- Sales tax totaling \$127;
- Tips totaling \$153; and
- No receipts were maintained for purchases of flowers and meals totaling \$522. (Finding 1, page 9-11)

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**Payments for excessive meal costs, alcohol, sales taxes, gifts and flowers**

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**Receipts were not maintained**

We recommended the Board strengthen its controls over disbursements to ensure expenditures are reasonable and necessary for State business operations, receipt of vendor invoices are documented, and meal and travel expenditures are in accordance with Travel Regulation Council Rules. We also recommended the Board familiarize themselves and staff with applicable laws and rules, implement controls to ensure compliance with these laws and rules, ensure appropriate use of State funds, and obtain and maintain sufficient documentation for all disbursements.

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**Board management agrees with recommendation**

Board management agreed with the finding and has implemented procedures to correct the noted deficiencies.

## **LACK OF INTERNAL CONTROLS OVER CONTRACTUAL SERVICES AND AGREEMENTS**

The Board did not have adequate internal controls over contractual services and agreements. We noted the following:

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**Contractual agreements not reduced to writing prior to beginning of contract terms**

- Two of two (100%) contractual agreements, totaling \$11,880 were not reduced to writing and signed by all parties prior to the beginning of the contract terms. One contract was dated/signed 281 days after the beginning of services and the other contract was not signed and dated.
- The Board did not file its real property lease, totaling \$71,004 and \$72,594 in FY08 and FY09 respectively, with the Office of the Comptroller (IOC). (Finding 2, pages 12-13)

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**Real property lease not filed with Office of the Comptroller**

We recommended the Board ensure contractual agreements are reduced to writing and signed by all parties prior to the beginning of the contract terms and real property leases exceeding \$10,000 are filed with the IOC.

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**Board management agrees with recommendation**

Board management concurred with bullet one and stated they will strive to ensure all future contracts are signed and dated prior to the beginning date of the contract. The Board partially concurred with bullet two and stated they were unable to submit the lease information to the IOC as the Board does not have an agency number.

## **INADEQUATE CONTROLS OVER MEMORANDUM OF UNDERSTANDING**

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**Lack of controls over its Memorandum of Understanding**

The Board of Examiners did not have adequate controls over its Memorandum of Understanding between the Board of Trustees of the University of Illinois (Trustees) and the Board. The Memorandum of Understanding between the Board and the Trustees is for the purpose of conforming services to be provided by and between the Trustees and the Board, and the responsibilities for the administration of examinations and issuance of certificates of certified public accountants in Illinois. We noted the following:

- The Board did not have a Memorandum of Understanding in place for FY09.
- The Memorandum of Understanding for FY08 was signed 621 days after the effective date of the agreement. Furthermore, the agreement was not signed by all Trustees as required.
- The Board did not provide written notice to the Trustees that the Board would execute its own lease and purchase equipment on its own behalf in FY08. (Finding 3, pages 14-15)

We recommended the Board affirm its relationship with the University and implement a Memorandum of Understanding. We further recommended the Board strengthen controls to ensure agreements are approved prior to the effective date and that the Board provides written notices to the Trustees before executing its own leases and purchasing equipment on its own behalf.

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**Board management agrees  
with recommendation**

Board management agreed with the finding and stated they are working with the University to create a working interagency agreement that would allow the two parties to continue a relationship that has existed since 1903 and will notify the University that it will execute its own leases and purchase equipment on its own behalf.

**OTHER FINDINGS**

The remaining findings concerned procedural deficiencies and Board member vacancies. We will review progress toward implementing all recommendations in our next examination.

**ACCOUNTANTS' REPORT**

We conducted a compliance examination of the Board as required by the Illinois State Auditing Act. We have not audited any financial statements of the Board for the purpose of expressing an opinion because the Board does not, nor is it required to, prepare financial statements.

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WILLIAM G. HOLLAND, Auditor General

WGH:JSC

**AUDITORS ASSIGNED**

This examination was performed by the staff of the Office of the Auditor General.