

**STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2019

STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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STATE OF ILLINOIS
BOARD OF EXAMINERS
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BOARD OFFICIALS

Chair of the Board (7/30/20 – Present)	Mr. Lawrence Wojcik, CPA, JD
Chair of the Board (7/24/19 – 7/30/20)	Dr. Simon Petravick, CPA
Chair of the Board (7/11/18 – 7/24/19)	Ms. Sara Mikuta, CPA
Chair of the Board (7/11/17 – 7/11/18)	Mr. James Kelley, CPA
Chair of the Board (7/1/17 – 7/11/17)	Mr. Sheldon Holzman, CPA
Vice Chair of the Board (7/30/20 – Present)	Mr. Brian Whitlock, CPA
Vice Chair of the Board (7/24/19 – 7/30/20)	Mr. Lawrence Wojcik, CPA, JD
Vice Chair of the Board (7/11/18 – 7/24/19)	Dr. Simon Petravick, CPA
Vice Chair of the Board (7/11/17 – 7/11/18)	Ms. Sara Mikuta, CPA
Vice Chair of the Board (7/1/17 – 7/11/17)	Mr. James Kelley, CPA
Executive Director	Mr. Russell Friedewald

BOARD OF EXAMINERS¹

Examiner (9/29/20 – Present)	Ms. Sook Lee, CPA
Examiner (10/1/18 – Present)	Ms. Annette O'Connor, CPA
Examiner (9/30/20 – Present)	Mr. Luis Plascencia, CPA
Examiner (8/25/20 – Present)	Ms. Maria Prado, CPA
Examiner (8/24/18 – Present)	Mr. Brian Whitlock, CPA
Examiner (7/1/17 – 7/31/18)	Mr. Howard Engle, CPA
Examiner (7/1/17 – 1/31/18)	Mr. Robert Gallagher, CPA
Examiner (7/1/17 – 7/31/18)	Mr. Sheldon Holzman, CPA
Examiner (7/1/17 – 7/31/20)	Mr. James Kelley, CPA
Examiner (7/1/17 – 7/31/20)	Ms. Rhonda Kodjayan, CPA
Examiner (7/1/17 – 7/31/19)	Ms. Sara Mikuta, CPA
Attorney Examiner (8/25/20 – Present)	Ms. Amanda Gavin, CPA, JD
Attorney Examiner (7/1/17 – Present)	Mr. Lawrence Wojcik, CPA, JD
Attorney Examiner (7/1/17 – 7/31/19)	Mr. Kent Reeves, CPA, JD
Educator Examiner (8/27/20 – Present)	Ms. Martrice Caldwell, CPA
Educator Examiner (7/1/17 – 7/31/20)	Dr. Simon Petravick, CPA, PhD
Educator Examiner (7/1/17 – 7/31/19)	Ms. Jeannie Folk, CPA
Public Examiner (9/25/20 – Present)	Ms. Rose Ann Abraham
Public Examiner (7/1/17 – Present)	Mr. Thomas J. Homer, JD
Public Examiner (8/24/18 – 7/31/19)	Mr. Stephen Bradley Danton, JD

STATE OF ILLINOIS
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¹ The Illinois Public Accounting Act (225 ILCS 450/2) requires 11 examiners, with two public members and nine Certified Public Accountants (CPAs). Of the CPAs, at least one must be a licensed attorney and one must be either an active or retired educator.

BOARD OFFICE

The Board's office is located at:

1120 East Diehl Road, Suite 107
Naperville, Illinois 60563



Illinois Board of Examiners

1120 E. DIEHL ROAD • SUITE 107 • NAPERVILLE, ILLINOIS 60563

MANAGEMENT ASSERTION LETTER

November 30, 2020

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Board of Examiners (Board). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Board's compliance with the following specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the Board has materially complied with the specified requirements listed below.

- A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Board of Examiners

SIGNED ORIGINAL ON FILE

Russ Friedewald, Executive Director

STATE OF ILLINOIS
 BOARD OF EXAMINERS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2019

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	3	6
Repeated Findings	3	5
Prior Recommendations Implemented or Not Repeated	3	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last</u> <u>Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)				
2019-001	11	2017	Inadequate Control over the CPA Examination Trust Fund	Material Weakness and Material Noncompliance
2019-002	15	2017	Inadequate Control over Personal Services	Material Weakness and Material Noncompliance
2019-003	17	2017	Inadequate Control over Contracts	Significant Deficiency and Noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED				
A	19	2017	Inadequate Control over State Property	
B	19	2017	Noncompliance with Reporting Requirements	
C	19	2017	Noncompliance with the Identity Protection Act	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on November 10, 2020.

Attending were:

Board of Examiners

Russell Friedewald, Executive Director
Mary Fitzgerald, Business Manager

Office of the Auditor General

Megan Green, Audit Manager
Dennis Gibbons, Audit Manager
Christian Cortes, Audit Supervisor

The responses to the recommendations were provided by Mary Fitzgerald, Business Manager, in a correspondence dated November 30, 2020.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

**INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND
ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Board of Examiners

Compliance

We have examined compliance by the State of Illinois, Board of Examiners (Board) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2019. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Board's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Board during the two years ended June 30, 2019. As described in the accompanying Schedule of Findings as item 2019-001, the Board had not obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law. As described in the accompanying Schedule of Findings as item 2019-001, the Board had not obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use. As described in the accompanying Schedule of Findings as items 2019-001 and 2019-002, the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as item 2019-001, the Board had not ensured the State revenues and receipts collected by the Board were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was not fair, accurate, and in accordance with law. As described in the accompanying Schedule of Findings as item 2019-001, money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board had not been properly and legally administered and the accounting and recordkeeping relating thereto is not proper, accurate, and in accordance with law.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Board complied with the specified requirements during the two years ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2019-003.

The Board's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2019-003 to be a significant deficiency.

As required by the *Audit Guide*, an immaterial finding excluded from this report has been reported in a separate letter.

The Board's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Board's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 and 2 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Board management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 and 2. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2017, in Schedules 1 and 2 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 and 2 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
November 30, 2020

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-001. **FINDING** (Inadequate Control over the CPA Examination Trust Fund)

The Board of Examiners (Board) lacked adequate internal control over financial transactions within the CPA Examination Trust Fund (Fund).

During the examination period, all of the Board’s transactions within the Fund, a non-shared enterprise fund, were processed by the accounting personnel at Northern Illinois University (University).

During testing, we noted the following:

- During testing of 60 disbursements from the Fund, we noted the following:
 - For 29 (48%) disbursements tested, totaling \$92,145, documentation of management’s approval of the related invoices was not retained. As a result, we were unable to determine the timeliness of the approval.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Board to maintain written or electronic records reflecting the date or dates on which approval for payment of a bill was given by the Board. In addition, the Code (74 Ill. Admin. Code 900.70) requires the Board to approve proper bills or deny bills with defects, in whole or in part, within 30 days after receipt. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds are safeguarded against waste, loss, unauthorized use, or misappropriation. In addition, the State Records Act (5 ILCS 160/8) requires the Board’s Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

- Eight (13%) disbursements tested, totaling \$14,589, contained reimbursements for out-of-State travel that were not approved by the Governor’s Office of Management and Budget (GOMB) prior to travel.

The Code (80 Ill. Admin. Code 2800.700) states travel outside of Illinois must be approved by the GOMB prior to travel and must be submitted to GOMB at least 30 days in advance of the departure date.

- For 4 (7%) disbursements tested, totaling \$2,757, the invoice receipt date was not documented. As a result, we were unable to determine the timeliness of the approval of the invoice for payment.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-001. **FINDING** (Inadequate Control over the CPA Examination Trust Fund) –
Continued

The Code (74 Ill. Admin Code 900.30) requires the Board to maintain written or electronic records reflecting the date or dates on which 1) the goods were received and accepted or the services were rendered, or 2) the proper bill was received by the State agency. In addition, the Code (74 Ill. Admin. Code 900.70) requires the Board to approve proper bills or deny bills with defects, in whole or in part, within 30 days after receipt.

- For 1 (2%) disbursement tested, totaling \$383, the Board approved the related invoice for payment 73 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Board to approve proper bills or deny bills with defects, in whole or in part, within 30 days after receipt.

- For 1 (2%) disbursement selected for testing, totaling \$330, the Board was unable to provide the related travel voucher. As a result, we were unable to determine if the travel expenditure was in accordance with the Governor’s Travel Control Board rules.

Per the Governor’s Travel Control Board rules, as promulgated by the Travel Regulation Council (codified within the Illinois Administrative Code (Code) at 80 Ill. Admin. Code 3000.100 et seq.), it is the policy of the State to reimburse employees for reasonable authorized expenses incurred by them in the performance of their duties. In addition, the State Records Act (5 ILCS 160/8) requires the Board’s Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

- During testing of 60 P-Card (essentially a credit card) disbursements, we noted the following:

- For 3 (5%) disbursements tested, totaling \$157, the amount per the Board’s supporting documentation of the purchase did not agree to the Board’s accounting records.
- For 2 (3%) disbursements selected for testing, totaling \$150, the Board was unable to provide supporting documentation. As a result, we were unable to test compliance.

The State Records Act (Act) (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-001. **FINDING** (Inadequate Control over the CPA Examination Trust Fund) –
Continued

the organization, functions, policies, decisions, procedures, and essential transactions of the Board designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

- During testing of 60 receipts, we noted the following:
 - The Board could not provide documentation of the receipt date for 7 (12%) checks, totaling \$55,285. As such, we were unable to determine if checks were deposited in a timely manner.
 - One (2%) receipt tested, totaling \$47,021 was deposited 16 days late.

The Public Funds Deposit Act (30 ILCS 225/1) requires the Board to deposit public funds collected and invest those proceeds, provided they are not needed for immediate disbursement, at prevailing rates or better within 2 working days. In addition, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

- During testing of one real property lease, we noted the Board did not comply with the agreed upon terms set forth in the Office Lease Agreement, which provided for an increase in rent in the event of a renewal. This resulted in the Board underpaying the University \$2,369 during Fiscal Year 2019.
- We noted discrepancies totaling \$7,466 between the Board's disbursements and its Fiscal Year 2018 financial statements and discrepancies totaling \$5,578 between the Board's disbursements and Fiscal Year 2019 financial statements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law and funds, assets, and other resources are safeguarded against waste, loss, unauthorized use, or misappropriation. Further, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board to protect the legal and financial rights of the State and of persons affected by the Board's activities.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-001. **FINDING** (Inadequate Control over the CPA Examination Trust Fund) –
Continued

Board officials indicated, as they did in the prior examination, these issues were due to human error. The Board further indicated they should not be required to approve payments due to the interagency agreement authorizing the University to do so.

Failure to exercise adequate control over the Board’s receipts and disbursements represents noncompliance with State laws and regulations. In addition, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2019-001, 2017-001, 2015-003)

RECOMMENDATION

We recommend the Board take action to strengthen its internal controls over its disbursements and receipts to ensure all transactions comply with all applicable laws, rules, and regulations, are properly supported by documentation retained by the Board for the entire duration of the records retention period established by the State Records Commission, and are authorized by management.

BOARD RESPONSE

Partially Agree. There was a change in Business Manager immediately prior to the FY16 & FY17 final audit report which resulted in changes to procedures. We are now in full compliance.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-002. **FINDING** (Inadequate Control over Personal Services)

The Board of Examiners (Board) lacked adequate control over its personal services functions.

The Executive Director is the Board's sole employee, as all other staff members are employees of Northern Illinois University (University) working on behalf of the Board pursuant to an intergovernmental agreement. During our examination, we tested the Executive Director's accrued benefit time balances and usage records. The Board has informally adopted the University's personnel policies, as opposed to using the personnel policies promulgated by the Governor as required. The difference between the Governor's policies outlined in the Illinois Administrative Code (80 Ill. Admin. Code 303) and University policy for Salaried/FLSA Exempt employees are as follows:

- 1) 12 more vacation days each year;
- 2) bereavement leave of up to three days per death without charge against accrued vacation or sick time; and,
- 3) no personal days off each calendar year with pay.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(a)) states the Governor will adopt and implement personnel policies for all State employees of the Executive Branch not under the jurisdiction and control of another Constitutional Officer within the Executive Branch.

During testing, we noted the Board does not have written policies concerning requesting, approving, or using benefit time.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law and funds, assets, and other resources are safeguarded against waste, loss, unauthorized use, or misappropriation. Further, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board to protect the legal and financial rights of the State and of persons affected by the Board's activities.

Board officials indicated, as they did in the prior examination, the Executive Director was made a non-compensated employee of the University in order for the University to process payroll; however, he is a State employee who directly reports to the Board.

Failure to implement controls over personal service functions hinders the Board's oversight and accountability for personal services, and represents noncompliance with State laws, rules, and regulations. In addition, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-002. **FINDING** (Inadequate Control over Personal Services) – Continued

manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2019-002, 2017-002)

RECOMMENDATION

We recommend the Board take action to ensure its personnel policies comport with State law.

BOARD RESPONSE

Disagree. The Executive Director’s employment with the Board of Examiners began January 2009. At that time, the Board of Examiners was part of the University of Illinois system and all employees were employees of the University of Illinois. The Executive Director, by virtue of the Public Accounting Act is hired by the Board of Examiners and reports to the Board of Examiners.

A condition of employment (in writing) was that the Executive Director would receive the same benefits as all other employees of the Board of Examiners including health insurance, vacation, sick leave and retirement through the State University Retirement System (SURS). (The Board of Examiners is specifically included in the SURS by statute.)

Upon initial employment, the Executive Director was also assigned as a non-compensated employee of the University of Illinois and all benefits accrued accordingly. Once the Board of Examiners ended its relationship with the University of Illinois and contracted with Northern Illinois University (NIU) by way of an inter-governmental agreement, the Executive Director was again employed by NIU as a non-compensated employee with all benefits accruing accordingly.

NIU maintains a record of accrued vacation, sick and personal leave and reports it twice monthly on income statements. Requests for vacation, sick or personal leave time are made directly and in writing or verbally with the current Chair of the Board of Examiners and any benefit time used is reported monthly to NIU by virtue of a Benefit Usage Form submitted to NIU Human Services.

ACCOUNTANT’S COMMENT

The Illinois Public Accounting Act (225 ILCS 450) created the Board of Examiners. While the Board utilizes interagency agreements with a State university to carry out its operations, the Board is a separate and distinct State agency and is not governed by the university's policies. The Executive Director is the Board's sole employee, and the accountants maintain the State's policies apply, rather than the university's policies.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-003. **FINDING** (Inadequate Control over Contracts)

The Board of Examiners (Board) lacked adequate control over its contracts.

For one of three (33%) contracts tested, totaling \$49,167, we noted the following exceptions:

- The related *Contract Obligation Document* (Form C-23) was not properly completed. Specifically, the following items were not completed: Legal Status, Class Code, Contracting Agency/Division, Filing Agency/Division, Unit of Measurement for Method of Compensation, Procurement Information Section, and Travel Expenses. Additionally, the Form C-23 contained an incorrect transaction code.

The Statewide Accounting Management System (SAMS) (Procedure 15.20.10) requires the Form C-23 to be completed with the elements noted above.

- The contract did not specify the location at which the services were to be performed.

SAMS (Procedure 15.20.50) requires the location at which the services are to be performed be included as a clause in contracts for services.

- The related *Late Filing Affidavit* was not notarized.

The Illinois Procurement Code (30 ILCS 500/20-80(c)) requires an affidavit when a contract has not been filed with the Office of the State Comptroller (Comptroller) within 30 calendar days of execution. SAMS (Procedure 15.10.40) contains a *Late Filing Affidavit* template which requires notarization upon completion.

Board officials indicated, as they did in the prior examination, they failed to comply with these laws and regulations due to human error.

Failure to include all required clauses in contracts, properly complete *Contract Obligation Documents*, and notarize *Late Filing Affidavits* represents noncompliance with applicable State laws, rules, and regulations. (Finding Code No. 2019-003, 2017-003, 2015-002)

RECOMMENDATION

We recommend the Board take action to ensure its contracts include all required clauses, *Contract Obligation Documents* are properly completed, and related *Late Filing Affidavits* are notarized.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-003. **FINDING** (Inadequate Control over Contracts) – Continued

BOARD RESPONSE

Agreed. Effective FY20, all contracts included the required clauses. In FY22, the C-23 Contract Obligation Document will be properly completed.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS
For the Two Years Ended June 30, 2019

A. **FINDING** (Inadequate Control over State Property)

During the prior examination, the Board of Examiners (Board) did not exercise adequate control over State property.

During the current examination, our sample testing indicated improvements in the Board's controls over State property. However, we continued to note certain immaterial conditions of noncompliance. As such, this matter is reported in the Board's *Report of Immaterial Findings*. (Finding Code No. 2017-004, 2015-001, 2013-002, 11-6)

B. **FINDING** (Noncompliance with Reporting Requirements)

During the prior examination, the Board did not comply with statutory reporting requirements. Specifically, annual reports did not include all required data and were not filed with the State Library.

During the current examination, our testing indicated the Board took corrective action to comply with statutory reporting requirements. (Finding Code No. 2017-005, 2015-004, 2013-003)

C. **FINDING** (Noncompliance with the Identity Protection Act)

During the prior examination, the Board failed to implement all provisions of the Identity Protection Act (Act).

During the current examination, the Board updated its Privacy Policy to address all provisions of the Act. (Finding Code No. 2017-006, 2015-005, 2013-004)

STATE OF ILLINOIS
BOARD OF EXAMINERS
CPA EXAMINATION TRUST FUND
STATEMENT OF ACTIVITIES (ACCRUAL BASIS)
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2019	2018	2017
Beginning Net Position	\$ 4,259,736	\$ 4,091,488	\$ 4,079,414
<u>Revenues:</u>			
Examination Fee, One Part	\$ 231,323	\$ 222,320	\$ 267,762
Examination Fee, Two Parts	155,018	152,083	159,687
Examination Fee, Three Parts	47,320	47,458	62,864
Examination Fee, Four Parts	84,408	91,302	120,520
Domestic Evaluation Fee	440,547	451,996	458,615
Reciprocal Fee	38,440	33,767	47,605
Foreign Credentials	-	-	8,570
Pre-Evaluation Service Fee	14,400	13,850	12,800
No Shows/Expired Notifications	196,516	146,620	1,215
Miscellaneous	13,125	12,647	12,390
Investment/Interest Income	105,667	59,622	32,987
Refunds	(7,649)	(3,775)	(5,006)
Total Revenues:	\$ 1,319,115	\$ 1,227,890	\$ 1,180,009
<u>Expenses:</u>			
Personal Services	\$ 701,718	\$ 696,834	\$ 702,448
Office Operations	264,002	295,255	237,228
Examiners' Travel, Consultants, and Fees	39,336	21,216	38,274
Administrative Fees	108,000	(15,020)	118,569
Miscellaneous	53,009	36,315	44,228
Depreciation	25,079	25,042	27,188
Total Expenses:	\$ 1,191,144	\$ 1,059,642	\$ 1,167,935
Ending Net Position	\$ 4,387,707	\$ 4,259,736	\$ 4,091,488

Note 1: This schedule was derived from the Board's unaudited financial reports. We were unable to agree total revenues and total receipts to the Board's internal accounting records, as described in Finding 2019-001.

Note 2: Administrative fees include costs charged by the Northern Illinois University to the Board for certain internal cost allocations attributable to the Board's activities.

STATE OF ILLINOIS
 BOARD OF EXAMINERS
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2019

	<u>Equipment</u>
Balance at July 1, 2017	\$ 97,832
Additions	1,007
Deletions	(1,270)
Net Transfers	<u>-</u>
Balance at June 30, 2018	<u>\$ 97,569</u>
Balance at July 1, 2018	\$ 97,569
Additions	20,892
Deletions	(18,717)
Net Transfers	<u>(9,500)</u>
Balance at June 30, 2019	<u><u>\$ 90,244</u></u>

Note: Amounts in this schedule were prepared by the Board and have been reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Board Functions

The Board of Examiners (Board) was originally established in 1903 and currently operates under the authority of the Illinois Public Accounting Act (Act) (225 ILCS 450/0.01 et seq.). Under the Act (225 ILCS 450/2), the Board is governed by eleven examiners appointed by the Governor, two of whom are members of the public.

The Board's responsibilities include:

- The effective administration of applicable provisions of the Act, including the adoption of any necessary and reasonable rules and regulations;
- Adopting a fair and impartial method of determining the qualifications of applicants for the Certified Public Accountant examination and a fair and wholly impartial method of examination of persons under the Act;
- Issuing certificates to holders of a foreign designation, granted in a foreign country entitling the holder thereof to engage in the practice of public accounting, provided they meet certain requirements;
- Providing information regarding educational requirements, the application process, the examination, and fees on the Board's website as well as in printed documents;
- Submitting an annual report of its activities to the Governor and the Secretary of the Department of Financial and Professional Regulation that includes a complete operating and financial statement covering its operation during the year, the number of examinations given, and the pass/fail ratio for examinations; and,
- Charging fees in an amount at least sufficient to defray the costs and expenses incident to the examination and issuance of certificates.

Planning Program

The Board has developed and maintained a Strategic Plan that is updated periodically as needed (last updated January 2018). The Strategic Plan contains the Board's strategic planning methodology, strategic opportunity statements, goals, objectives and strategies for goal implementation, and the Board's mission statement.

The Board's mission is "to set the requirements and to verify, through testing or transfer, candidate qualifications to become Certified Public Accountants in the State of Illinois."

The Board accomplishes this mission through the following goals:

- Promote a board that is composed of an appropriate balance of professional and public members, which is accountable to the public and committed to the public interest;
- Obtain assistance to ensure updated knowledge of legislative activities affecting the accounting profession and its impact on examination, licensure, and enforcement;

STATE OF ILLINOIS
 BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
 For the Two Years Ended June 30, 2019

(NOT EXAMINED)

- Keep regulations current governing the certificate of Certified Public Accountants;
- Maintain open communication channels for effective delivery of information;
- Influence professional policies through relationships with other organizations;
- Maintain a voice to the profession on Board concerns affecting the examination process for qualification as a Certified Public Accountant;
- Utilize technology to maximize the efficiency of the processes and enhance the productivity and responsiveness of the organization;
- Continue serving candidates on a timely basis under any disruptive circumstances;
- Create and maintain an efficient and effective financial reporting system; and,
- Establish a regular and consistent planning process that provides for regular review by Board and its staff.

The Board reported the following activities by fiscal year:

	Fiscal Year		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Number of applications processed by type			
Foreign credential evaluations	120*	77*	35*
Domestic credential evaluations	2,622	2,687	2,311
First-time candidates for exam	2,294	2,276	2,894
Re-exam candidates from paper and pencil	22	14	36
Re-exam candidates from computer based testing	6,972	7,323	8,461
Reciprocal certificate by substantial equivalency	0	1	0
Reciprocal certificate by International Qualification Examination	34	39	69
Certification by total transfer of credit	101	86	93
Average pass rates by section			
Auditing (AUD)	55.48%	55.42%	47.58%
Business Environment and Concepts (BEC)	67.70%	64.69%	60.85%
Financial Accounting Reporting (FAR)	49.15%	50.70%	48.22%
Regulation (REG)	54.67%	51.87%	50.66%
Number of candidates that passed the Uniform CPA Exam	1,314	1,396	1,596
Number of certified candidates by Exam	1,441	1,308	1,461
Number of certified candidates by total transfer of credit or reciprocity	94	88	130

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

- * Foreign credential evaluations were taken over by the National Association of State Boards of Accountancy (NASBA) in August 2016. The Board only processed foreign credential evaluations for approximately one month during Fiscal Year 2017. However, foreign candidates continue to be counted as a separate application type because although the Board does not charge a candidate evaluation fee, these candidates do apply to sit for exam sections.

STATE OF ILLINOIS
BOARD OF EXAMINERS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES BETWEEN FISCAL YEARS 2019 AND 2018

Examiners' Travel, Consultants, and Fees

The increase was due to the Board members incurring more out-of-State travel expenses for conferences and meetings.

Administrative Fees

The increase was due to the Board paying the correct monthly installments of administrative fees to Northern Illinois University (University) during Fiscal Year 2019. During Fiscal Year 2018, a credit was recorded in the Board's expense records by the University.

Miscellaneous

The increase was due to a rise in costs to provide applicable candidates accommodations under the Americans with Disabilities Act during Fiscal Year 2019.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES BETWEEN FISCAL YEARS 2018 AND 2017

Office Operations

The increase was due to a rise in information technology expenses for the digitalization of old candidate records during Fiscal Year 2018.

Examiners' Travel, Consultants, and Fees

The decrease was due to less out-of-State travel by the Board Members for conferences and meetings during Fiscal Year 2018.

Administrative Fees

The decrease was due to a credit of \$115,830 recorded in the Board's expense records during August 2017 by the University. No credit was incurred during Fiscal Year 2017.

STATE OF ILLINOIS
BOARD OF EXAMINERS
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE BETWEEN FISCAL YEARS 2019 AND 2018

No Shows/Expired Notifications

The increase was due to a rise in candidates not showing up for tests and/or allowing notices to schedule to expire without testing during Fiscal Year 2019.

Investment/Interest Income

The increase was due to a rise in interest income during Fiscal Year 2019.

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE BETWEEN FISCAL YEARS 2018 AND 2017

Examination Fee, Three Parts and Examination Fee, Four Parts

The decrease is due to fewer candidates paying for three or four parts of the CPA exam at a time during Fiscal Year 2018.

Reciprocal Fee

The decrease is due to a reduction in the number of individuals moving into the State with their Certified Public Accountant license during Fiscal Year 2018.

Foreign Credentials

The decrease is due to the Board transferring the responsibility for completion of foreign credential evaluations from the Board to the National Association of State Boards of Accountancy in the beginning of Fiscal Year 2017.

Investment/Interest Income

The increase was due to a rise in interest income during Fiscal Year 2018.

STATE OF ILLINOIS
BOARD OF EXAMINERS
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

The following table, prepared from Board records, presents the average number of employees and Board Members for the Fiscal Year ended June 30,

	<u>Fiscal Year</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employees	1	1	1
Board Members	11	11	10

In addition, 9 Northern Illinois University employees worked exclusively for the Board in accordance with its intergovernmental agreement during the examination period.

STATE OF ILLINOIS
BOARD OF EXAMINERS
INTERGOVERNMENTAL AGREEMENT
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Northern Illinois University

The Board of Examiners (Board) has an intergovernmental agreement with the Board of Trustees of Northern Illinois University (NIU Trustees) for the purpose of defining and designating services to be provided by and between the NIU Trustees and the Board, and the responsibilities for the administration of the CPA examination and issuance of certificates to Certified Public Accountants in the State.