



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE GOVERNOR

Compliance Examination
 For the Two Years Ended June 30, 2019

Release Date: April 15, 2020

FINDINGS THIS AUDIT: 13	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	6	9	2017	19-6, 19-7, 19-8		
Category 2:	3	1	4	2011	19-2		
Category 3:	0	0	0	2007	19-4, 19-5	19-10	
TOTAL	6	7	13				
FINDINGS LAST AUDIT: 7							

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we expressed an adverse opinion on the Office of the Governor’s compliance with the 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

- (19-01) The Office lacked adequate controls over the Illinois Governor’s Mansion property and receipts.
- (19-02) The Office did not maintain adequate controls over the recording and reporting of State property.
- (19-03) The Office failed to maintain controls over personal services functions.
- (19-06) The Office did not maintain adequate controls over receipts processing.

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 have been excluded due to the adverse opinion.}

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER THE ILLINOIS
GOVERNOR’S MANSION PROPERTY AND RECEIPTS**

The Office of the Governor (Office) lacked adequate controls over the Illinois Governor’s Mansion (Mansion) property and receipts. We noted the following:

Lacked reconciliation of Mansion renovation expenditures to property records

- During the examination period, the Mansion underwent extensive renovations, which were contracted, overseen, and funded by the Illinois Governor’s Mansion Association (Association), a not-for-profit tax exempt 501(c)(3) organization. The Office lacked a formal agreement with the Association for the services and renovations funded by the Association. In addition, the Office lacked supporting documentation on renovations recorded to fixed assets records and did not perform a reconciliation between the Association’s renovation expenditures and the Office’s additions recorded in the property records or reported on the Office’s quarterly Agency Report of State Property (Form C-15). Specifically, we noted:

Supporting documentation not maintained for property additions totaling \$9 million

- For the quarters ended September 30, 2017, June 30, 2018, and December 31, 2018, the Office reported additions, totaling \$10,956,735, to buildings and building improvements for the capital improvements. However, the Office did not maintain documentation to support \$9,059,543 of additions reported.

\$17 million in property additions not recorded

- The Office reported additions to building and building improvements, totaling \$34,147,807, during the examination period on the quarterly Form C-15’s; however, only \$17,077,265 of building and building improvement additions were recorded in the Office property records.

Unable to determine total amount of Mansion renovations to be recorded

As such, we were unable to determine the total amount of renovations completed on the Mansion, which were to be recorded in the Office’s property records and on Form C-15’s.

Lacked controls over charges and collection of fees

- During Fiscal Year 2019, following the completion of extensive renovations, various events were held at the Mansion which were coordinated by the Association. The Office lacked controls over the charge and collection of fees for usage of the facility. During testing of the Office’s receipts from these events, we noted:

Failed to monitor events held at the Mansion and associated fees collected

- The Office failed to properly monitor the events held at the Mansion and the associated fees collected by the Association on behalf of the Office. No agreement was in place and the Office lacked procedures to ensure all

fees collected by the Association were remitted to the Office.

- The Office reported \$5,375 in Governor’s Mansion fees collected during Fiscal Year 2019 on its Agency Fee Imposition Report (Report). However, with the lack of controls mentioned above, we were unable to determine if the fees reported were accurate and included all fees charged.

Accountants unable to conclude the Office’s records were sufficiently precise and detailed

Even given the population limitations noted above, which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed tests of the Office’s property and receipts and noted the matters described in Findings 2019-002 and 2019-006. (Finding 1, pages 10-12)

We recommended the Office:

- Evaluate the procedures and strengthen the controls over property and equipment purchased by the Association and then donated to the State, to ensure accurate record keeping and reporting of all State assets;
- Ensure balances reported on the Form C-15 accurately reflect Office records;
- Maintain adequate records and documentation of Office property activities;
- Implement controls to ensure all fees collected by the Association on behalf of the Office are remitted; and,
- Strengthen communication with the Association through a formal agreement to clarify activities performed on behalf of the Office by the Association.

Office agreed with finding

The Office agreed with the finding and stated they had taken and continue to take steps to ensure all issues raised in the recommendations are addressed.

INADEQUATE CONTROLS OVER STATE PROPERTY

The Office did not maintain adequate controls over the recording and reporting of State property.

Due to the following process and control deficiencies identified below and as noted in Finding 2019-001, we were unable to conclude whether the Office’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 Office’s controls over State property and equipment. In addition, due to these

limitations, we were unable to conclude the Office's Schedule of Changes in State Property on page 59 was complete and accurate.

Accountants unable to conclude the Office's records were sufficiently precise and detailed

Even given the population limitations noted above, which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed tests on various controls over property and noted the following:

REPORTING DEFICIENCIES

During our testing of the Office's quarterly Agency Report of State Property (Form C-15) we noted inaccurate, unsupported balances, and reporting deficiencies.

We also performed a reconciliation between the additions reported on the Office's quarterly Form C-15 and the Office of the Comptroller's Object Expense/Expenditures by Quarter (SA02) report, noting an un-reconcilable difference of \$32,062, by which the Form C-15s were overstated. The Office was unable to reconcile the difference, as the Office did not maintain documentation from the Statewide Enterprise Resource Planning system (ERP) to support the Form C-15s.

RECORDING DEFICIENCIES

The Office maintains their asset records in the ERP. However, we noted the Office did not record all additions and deletions of equipment, historical treasures, arts, and site improvements. As a result, the ERP fixed asset report at June 30, 2019, did not agree to the ending balance of fixed assets reported at June 30, 2019 on the Form C-15.

Lack of supporting documentation maintained for property deletions and additions

The Office failed to adjust its property records for discrepancies noted in the Annual Certification of Inventory. The Office reported the same two computers as missing in both Fiscal Year 2018 and Fiscal Year 2019. The Office determined the computers were sent to surplus in 2013 and 2014. In addition, the Office's Annual Certification of Inventory for Fiscal Years 2018 and 2019 were not supported with an accurate report of fixed assets from the ERP.

Unable to reconcile with Office of the Comptroller reports

PROPERTY OBSERVATION

The Office did not ensure physical locations of property items were accurate based on the Office's property listing. Specifically, during our inspection of 60 property items sampled, we noted items could not be located, were not tagged, and could not be traced to the property listing.

In addition, the Office did not maintain documentation for unused, damaged, obsolete, or transferrable property. We observed the Office's storage location, noting items could not be traced to the property listing, items were not tagged and items that appeared to be obsolete or damaged but were considered to be transferable.

PROPERTY LEASES

The Office failed to maintain adequate controls over equipment leases. We tested monthly lease payments for a sample of three agreements entered into during the examination period, noting three monthly lease payments were not made and one lease payment lacked a supporting invoice. (Finding 2, pages 14-18) **This finding has been repeated since 2011.**

Monthly lease payments not made

We recommended the Office:

- Properly review and monitor the submission of the Form C-15 to the Office of the Comptroller to ensure compliance with the requirements of SAMS.
- File revised Form C-15 with the Office of the Comptroller to reflect corrected balances.
- Evaluate the procedures and strengthen the controls over property and equipment to ensure proper safekeeping and accurate recordkeeping of all assets.
- Keep adequate records and proper documentation of the Office capital asset activities.

Office agreed with finding

The Office agreed with the finding.

FAULURE TO MAINTAIN CONTROLS OVER PERSONAL SERVICES FUNCTIONS

The Office failed to maintain controls over personal services functions. A few of the items we noted are as follows:

Incomplete Form I-9s

We tested employee personnel files for Employment Eligibility Verification (Form I-9) forms for a sample of 25 employees, noting all personnel files did not have a completed Form I-9 on file or the Form I-9 lacked a signature of the employee or the employer.

Personnel files lacked adequate documentation

We also noted one employee was paid in excess of the employee's contractual agreement, personnel records did not have sufficient documentation of the employee's rate of pay or net pay, and employees were allowed to transfer in vacation time earned at another State agency in excess of the amount allowed by Office policy.

Did not maintain detailed payroll reports

During our testing of a sample of 25 employee's payroll withholdings, we noted a lack of documentation supporting federal income tax, State income tax, and retirement contributions withheld.

During our testing of employee attendance records, we noted employees lacked documentation supporting their accrued

Lacked documentation supporting accrued balances, time used and approval of absences

Timesheets not completed, submitted or approved

Training not completed

balances and time used. Therefore, we were unable to recalculate accrued balances to determine if accruals and usage were in accordance with the Office's rules and policies. In addition, we noted employee absences lacked documentation the absences were requested and approved in advance, timesheets were not completed and submitted timely, timesheets were not approved by the employee's supervisor and timesheets that could not be located.

We also tested training records for a sample of employees, noting all employees did not complete the annual cybersecurity training and employees with access to Social Security numbers in the course of performing their job duties were not trained to protect the confidentiality of social security numbers. (Finding 3, pages 19-23)

We recommended the Office establish and maintain fiscal and administrative internal controls over its personal services functions, including:

- Maintaining complete and accurate personnel files, including completed Form I-9, hiring agreements, and authorizations for payroll deductions;
- Maintaining complete, accurate, and detailed documentation of payroll and employees' accrued balances;
- Ensuring documentation of employees' requests and prior approval of time off is completed and maintained;
- Ensuring employees submit and also their supervisor approves employees' timesheets timely;
- Maintaining adequate policies requiring personal time be requested and approved prior to being taken;
- Ensuring all employees timely undergo training on cybersecurity on an annual basis;
- Ensuring all employees with access to Social Security numbers in the course of performing their job duties are trained to protect the confidentiality of Social Security numbers; and,
- Maintaining complete and accurate documentation of information reported on the Agency Workforce Reports.

Additionally, we recommended the Office determine if the recoupment of the payroll overpayments is appropriate.

Office officials agreed with finding

The Office agreed with the finding.

INADEQUATE CONTROLS OVER RECEIPTS PROCESSING

The Office did not maintain adequate controls over receipts processing.

Due to the following process and control deficiencies identified below and as noted in Finding 2019-001, we were unable to conclude whether the Office'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 Office's control over receipts. In addition, due to these limitations, we were unable to conclude the Office's Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller on page 58 was complete and accurate.

Accountants unable to conclude the Office's records were sufficiently precise and detailed

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed tests on select controls over receipts and noted the following:

Detailed account of all moneys received not maintained

- The Office did not maintain a detailed itemized account of all moneys received during Fiscal Years 2018 and 2019; specifically, the account omitted the dates of receipt and payor information. The Office receipt records indicated total receipts of \$36 and \$13,171 for Fiscal Year 2018 and 2019, respectively.

Lacked documentation supporting timely deposit of receipts

- Five of 5 (100%) receipts, totaling \$5,409, did not have adequate documentation to demonstrate monies received were deposited timely.

Draft totaling \$7,796 deposited 249 late

- One State Treasurer's draft, totaling \$7,796, was remitted to the State Comptroller via a Form C-64 249 days after the Office received the State Treasurer's draft. (Finding 6, pages 31-32)

We recommended the Office maintain detailed itemized records of its receipts and supporting documentation. We also recommended the Office deposit receipts timely in accordance with the State Officers and Employees Money Disposition Act and SAMS.

Office officials agreed with finding

The Office agreed with the finding and stated they had hired a new Director of Fiscal Operations to ensure compliance with the recommendations.

OTHER FINDINGS

The remaining findings pertain to appointments, mandated responsibilities, expenditures, reconciliations, voucher processing, interagency agreements, and the provisions of the Identity Protection Act. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. Because of the effect of noncompliance described in Findings 2019-001 through 2019-009, the accountants stated the Office did not materially comply with the requirements described in the report.

This compliance examination was 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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