STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

West & Company, LLC
Certified Public Accountants

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
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For the Two Years Ended June 30, 2023

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STATE OF ILLINOIS
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OFFICE OFFICIALS

Governor	Honorable J.B. Pritzker	
Chief of Staff	Ms. Anne Caprara	
Deputy Governors	Ms. Sol Flores	
	Mr. Andrew Manar	(08/25/2021 - Present)
	Mr. Dan Hynes	(07/01/2021 - 08/25/2021)
	Ms. Bria Scudder	(4/10/2023 - Present)
	Vacant	(3/16/2023 - 4/10/2023)
	Mr. Christian Mitchell	(7/1/2021 - 3/15/2023)
	Mr. Martin Torres	(10/18/2021 - Present)
	Vacant	(08/24/2021 - 10/17/2021)
	Mr. Jesse Ruiz	(07/01/2021 - 08/23/2021)
Chief Operating Officer	Mr. Kenneth Steele	(09/01/2021 - Present)
	Vacant	(08/07/2021 - 08/31/2021)
	Ms. Jasmine Hooks	(07/01/2021 - 08/06/2021)
General Counsel	Ms. Ann Spillane	
Director of Operations	Vacant	(4/1/2024 - Present)
	Ms. Sydney Ellison	(08/01/2021- 4/1/2024)
	Vacant	(07/01/2021 - 07/31/2021)
Director of Fiscal Operations	Mr. William J. House	(07/01/2022 - Present)
	Vacant	(06/11/2022 - 06/30/2022)
	Mr. Eric Bolinger	(07/01/2021 - 06/10/2022)

AGENCY OFFICES

The Office's primary administrative offices are located at:

Illinois State Capitol
207 State House
Springfield, Illinois 62706

555 W. Monroe Street, 16th Floor
Chicago, IL 60661

OFFICE OF THE GOVERNOR
207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

JB PRITZKER
GOVERNOR

MANAGEMENT ASSERTION LETTER

June 25, 2024

West & Company, LLC
Certified Public Accountants
919 E. Harris Avenue
Greenville, IL 62246

Ladies and Gentlemen:

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, Office of the Governor (Office). 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 Office's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Office has materially complied with the specified requirements listed below.

A. The Office 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. Other than what has been previously disclosed and reported in the Schedule of Findings, the Office 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. Other than what has been previously disclosed and reported in the Schedule of Findings, the Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Office 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.

OFFICE OF THE GOVERNOR
207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

JB PRITZKER
GOVERNOR

E. Other than what has been previously disclosed and reported in the Schedule of Findings, money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office 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, Office of the Governor

SIGNED ORIGINAL ON FILE

Honorable J.B. Pritzker
Governor [redacted]

SIGNED ORIGINAL ON FILE

Ann Spillane
Chief Legal Counsel

SIGNED ORIGINAL ON FILE

William House
Chief Fiscal Officer

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control over Compliance does not contain scope limitations or disclaimers, but does contain an adverse opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	12	11
Repeated Findings	10	10
Prior Recommendations Implemented or Not Repeated	1	3

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Report	Description	Finding Type
			Current Findings	
2023-001	10	2021/2019	Inadequate Controls Over the Illinois Mansion Property and Receipts	Material Weakness and Material Noncompliance
2023-002	13	2021/2007	Appointments of Members to Boards, Commissions, Councils, and Committees	Material Weakness and Material Noncompliance
2023-003	21	2021/2007	Noncompliance with Statutorily Mandated Responsibilities	Material Weakness and Material Noncompliance
2023-004	24	2021/2017	Inadequate Controls Over Receipts Processing	Material Weakness and Material Noncompliance

SCHEDULE OF FINDINGS (Continued)

Item No.	Page	Last/First Report	Description	Finding Type
			Current Findings (Continued)	
2023-005	25	2021/2019	Inadequate Controls Over Monthly Reconciliations	Material Weakness and Material Noncompliance
2023-006	28	2021/2019	Failure to Maintain Proper Controls Over Personal Services Functions	Material Weakness and Material Noncompliance
2023-007	33	2021/2011	Inadequate Controls Over State Property	Significant Deficiency and Noncompliance
2023-008	36	2021/2019	Failure to Make Appointments to Entities Considered Non-operational	Significant Deficiency and Noncompliance
2023-009	42	2021/2021	Weakness in Cybersecurity Programs and Functions	Significant Deficiency and Noncompliance
2023-010	44	2021/2017	Voucher Processing Weakness	Significant Deficiency and Noncompliance
2023-011	45	New	Failure to Fully Utilize the State's Enterprise Resources Planning System	Significant Deficiency and Noncompliance
2023-012	47	New	Inadequate Control over Travel	Significant Deficiency and Noncompliance
			Prior Findings Not Repeated	
A	49	2021/2007	Inadequate Internal Controls Over Interagency Agreements	

EXIT CONFERENCE

The Office waived an exit conference in a correspondence from William House, Director of Fiscal Operations, on June 13, 2024. The responses to the recommendations were provided by William House, Director of Fiscal Operations, in a correspondence dated June 25, 2024.

West & Company, LLC
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INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Office of the Governor (Office) 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, 2023. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Office 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 Office 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 Office 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 Office 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 Office on behalf of the State or held in trust by the Office 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 Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

Our examination disclosed material noncompliance with the specified requirements during the two years ended June 30, 2023. As described in items 2023-001 through 2023-012 in the accompanying Schedule of Findings, the Office did not comply with the specified requirements. Items 2023-001 through 2023-006 are each considered to represent material noncompliance with the specified requirements. As described in the accompanying Schedule of Findings as items 2023-001, 2023-005, and 2023-006, the Office 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 2023-001 through 2023-006, the Office 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 items 2023-001, 2023-004, and 2023-005, the Office had not ensured the State revenues and receipts collected by the Office were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law. As described in the accompanying Schedule of Findings as items 2023-001, 2023-004, and 2023-005, money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law. Items 2023-007 through 2023-008 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, with items 2023-001 through 2023-006, we determined these items constitute material noncompliance with specified requirement C.

In our opinion, because of the significance and pervasiveness of the material noncompliance with the specified requirements described in the preceding paragraph, the Office did not comply with the specified requirements during the two years ended June 30, 2023, in all material respects.

The Office's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Office'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.

Report on Internal Control over Compliance

Management of the Office 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 Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office'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 in internal control 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 2023-001 through 2023-006 to be material weaknesses.

A significant deficiency in internal control 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 items 2023-007 and 2023-012 to be significant deficiencies.

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

The Office's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Office'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.

SIGNED ORIGINAL ON FILE

Greenville, Illinois
June 25, 2024

2023-001 **FINDING** (Inadequate Controls Over the Illinois Mansion Property and Receipts)

The Office of the Governor (Office) lacked adequate controls over the Illinois Governor's Mansion (Mansion) property and receipts.

During testing of the Mansion's property, we noted:

- The Mansion underwent extensive renovations, which were completed in July 2019. The renovations were contracted, overseen, and funded by the Illinois Governor's Mansion Association (Association), a not-for-profit tax exempt 501(c)(3) organization. As noted in the previous examination, the Office lacked supporting documentation for renovations recorded to fixed assets records and had not performed a reconciliation between the value of the Association's renovations 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). Consequently, we were unable to determine the total amount of renovations completed on the Mansion, which should have been recorded at fair market value in the Office's property records and on Form C-15's.

During testing of the Mansion's receipts, we noted:

- During Fiscal Years 2022 and 2023, various events were held at the Mansion which were coordinated and billed by the Association on behalf of the Office. The Office lacked documentation of controls over the charge and collection of fees, including a lack of summary accounts receivable information, for usage of the facility in order to ensure all fees were collected for the events held.

- The Office reported $0 and $3,587 in 'Executive Mansion fees' collected during Fiscal Years 2022 and 2023, respectively, on its Agency Fee Imposition Report (Report). However, due to the Office's lack of controls mentioned above, we were unable to determine if the fees reported were accurate and included all fees charged. As a result, we were unable to conclude the Office's population records were sufficiently precise and complete as required by the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) in order to properly test usage fees.

Statewide Accounting Management System (SAMS) (Procedure 03.30.10) states building improvements are capital expenditures that materially extend the useful life of the building, increase the capacity and/or efficiency of the building, or adapt to a new use. Building improvements also include capital expenditures that add value, extend the useful life, or adapt a leased building to a new use. SAMS (Procedure 03.30.20) also states the valuation of building improvements includes all costs incurred to complete the improvement, including all labor, material, and professional services to construct the building together with insurance, interest and other indirect costs incurred during the period of construction, to place the building into its intended use. Additionally, SAMS (Procedure 29.10.30) states the Form C-15, when properly completed presents the total cost of State property, by category, reflected on the agency's records as of the reporting date and reconciles the beginning balance of State property to the ending balance.

2023-001 **FINDING** (Inadequate Controls Over the Illinois Mansion Property and Receipts) (Continued)

The State Officers and Employee Money Disposition Act (30 ILCS 230/2) requires every agency maintain in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement. The State Records Act (5 ILCS 160/8) requires the head of each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designated to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. Furthermore, the State Comptroller Act (15 ILCS 405/16.2) and SAMS (Procedure 33.16.20) requires the Office to submit the Report to the Office of the State Comptroller (Comptroller) by August 1 of each year. The fees reported should agree with Office records.

Office management indicated the issues identified were a result of a lack of oversight and communication with the Association, coupled with continuous staff turnovers.

Failure to properly record capital improvements to the Office's property records resulted in inaccurate property reporting. Additionally, failure to maintain adequate records and proper documentation for capital improvement transactions did not allow for a determination as to whether the improvements were recorded properly. Further, failure to ensure all receipts collected by a third party on behalf of the Office are properly remitted to the Office for deposit could result in a loss of State revenue and inaccurate fee reporting. (Finding Code No. 2023-001, 2021-001, 2019-001)

RECOMMENDATION

We recommend 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; and,
- Ensure controls are implemented and documented to ensure all fees collected by the Association on behalf of the Office are remitted.

OFFICE RESPONSE

The Office accepts this finding. The Office acknowledges that the Mansion underwent extensive renovations at the direction of the prior gubernatorial administration and fiscal team, that those renovations were completed by July 2019, and that the last compliance

2023-001 **FINDING** (Inadequate Controls Over the Illinois Mansion Property and Receipts) (Continued)

examination, which ended on June 30, 2021, recommended changes to improve the controls over the Mansion property and the receipts related thereto. To address the concerns raised by the previous examination, the Office undertook a review of the procedures in place at the time of the testing and made several changes to increase compliance. Based on the current compliance examination, it appears that additional modifications to the procedures would assist with the accuracy of the Mansion reports and the reporting of State assets. To that end, the Office will continue to review the procedures surrounding property and equipment acquisition and the transfer of property to the State and will implement additional procedures as necessary to reconcile any differences between the Office's and the Mansion Association's records. In addition, prior to filing a Form C-15, the Office has developed and instituted a review procedure with the expectation that reported balances will reflect and be consistent with the Office's records. In this regard, we would note that several transactions were reported to the Illinois Comptroller but never entered in SAP. In FY24, journal entries were made to bring SAP in balance on the Building and Building Improvements reporting line at the Illinois Comptroller. After the transactions were entered, the Mansion balance now matches in both SAP and on the C-15. Further, the Office will maintain current records related to property activity and will incorporate additional records to clarify activities related to property management.

The Office also reviewed the procedures in place at the time of the testing related to rental events at the Mansion, to ensure all fees collected by the Association on behalf of the Office moving forward are properly recorded and remitted to the State. The Office will continue its efforts to ensure that the records accurately reflect rental fee income. We would note, however, that during the COVID-19 pandemic and the State's declared public health emergencies, which existed for almost the entirety of the examination period, and more recently with concerns related to site conservation and preservation, the Mansion has not been made available on a rental basis to the same degree that it was historically (CY 2022 – 3 events were held at the Mansion; CY 2023 – 2 events were held at the Mansion). Accordingly, with fewer rental fee opportunities there is less rental fee income to report.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees)

The Office of the Governor (Office) did not make all required appointments to various boards, commissions, councils, committees, and other entities to fill vacancies.

During testing, we requested the Office to provide a listing of all statutory mandates in effect during the examination period in order to test compliance with specific provisions from its requirements. In response to our request, the Office provided a listing of statutory mandates during the examination period. The Office identified 597 of the major statutes establishing mandates specific to their agency. However, the Office did not identify an additional 36 applicable laws with specific mandates significant to the Office.

Due to the process and control deficiencies identified above, we were unable to conclude 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 § 205.36) to fully test the Office's compliance with statutory mandated responsibilities.

Even given the population limitations noted above, which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the statutory mandates identified by the Office and by our own procedures and noted the following:

Fifty-eight of 93 (62%) boards, commissions, councils, and committees tested were considered operational by the Office. Forty-four of 58 (76%) boards, commissions, councils, and committees tested did not have the required number of Governor-appointed members as follows:

- Eastern Illinois Economic Development Authority - 1 vacancy

The Eastern Illinois Economic Development Authority Act (70 ILCS 506/15(b)(2)) requires the Governor to appoint 3 members to the Eastern Illinois Economic Development Authority.

- Regulations and Site Remediation Advisory Committee - 4 vacancies

The Environmental Protection Act (415 ILCS 5/58.11(a)) requires the Governor to appoint 10 members to the Regulations and Site Remediation Advisory Committee.

- Illinois DREAM Fund Commission – 1 vacancy

The Higher Education Student Assistance Act (110 ILCS 947/67(a)) requires the Governor to appoint 9 members to the Illinois DREAM Fund Commission.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- Chicago State University Board of Trustees - 2 vacancies

The Chicago State University Law (110 ILCS 660/5-15) requires the Governor to appoint 7 members to the Chicago State University Board of Trustees.

- Advisory Council on the Education of Children with Disabilities – 4 vacancies

The School Code (105 ILCS 5/14-3.01) requires the Governor to appoint 23 members to the Advisory Council on the Education of Children with Disabilities.

- Department of Corrections Advisory Board – 3 vacancies

The Unified Code of Corrections (730 ILCS 5/3-2-6(a)) requires the Governor to appoint 11 members to the Department of Corrections Advisory Board.

- State Trauma Advisory Council - 3 vacancies. In addition, 2 of the 5 (40%) appointed members were not appointed to a three-year term.

The Emergency Medical Services Systems Act (210 ILCS 50/3.205(b)) requires the Governor to appoint 8 members to the State Trauma Advisory Council. Members shall be appointed for a term of three years.

- African American Employment Plan Advisory Council - 1 vacancy

The African American Employment Plan Act (20 ILCS 30/25) requires the Governor to appoint 11 members to the African American Employment Plan Advisory Council.

- Illinois Affordable Housing Advisory Commission - 2 vacancies

The Illinois Affordable Housing Act (310 ILCS 65/6(a)) requires the Governor to appoint 11 members to the Illinois Affordable Housing Advisory Commission, with the advice and consent of the Senate.

- Upper Illinois River Valley Development Authority - 4 vacancies

The Upper Illinois River Valley Development Authority Act (70 ILCS 530/4(b)) requires the Governor to appoint 10 members to the Upper Illinois River Valley Development Authority.

- Rare Disease Commission - 1 vacancy

The Rare Disease Commission Act (410 ILCS 445/10(b)(1)) requires the Governor to appoint 11 members to the Rare Disease Commission.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- Public Administrator and Public Guardians - 19 vacancies

The Probate Act of 1975 (755 ILCS 5/13-1) requires the Governor to appoint in each county a suitable person to serve as a public administrator and a suitable person to serve as public guardian of the county. The Governor may appoint the same person to serve as a public guardian and public administrator in one or more counties.

- State Board of Health - 4 vacancies

The Departments of State Government Law (20 ILCS 5/5-565(a)) requires the Governor to appoint 20 members to the State Board of Health.

- Commission on Discrimination and Hate Crimes - 3 vacancies

The Commission on Discrimination and Hate Crimes Act (20 ILCS 4070/10(a)) requires the Governor to appoint a chairperson and 20 additional members to the Commission on Discrimination and Hate Crimes with the advice and consent of the Senate.

- Offshore Wind Energy Economic Development Policy Task Force - 6 vacancies

The Lake Michigan Wind Energy Act (20 ILCS 896/20(c)) requires the Governor to appoint 16 members to the Offshore Wind Energy Economic Development Policy Task Force.

- Smart Grid Advisory Council - 3 vacancies

The Public Utilities Act (220 ILCS 5/16-108.6(b)) requires the Governor to appoint 5 members to the Smart Grid Advisory Council.

- South Suburban Brownfields Advisory Council - 1 vacancy

The Brownfields Redevelopment and Intermodal Promotion Act (20 ILCS 607/3-30(a)) requires the Governor to appoint 2 members to the South Suburban Brownfields Advisory Council.

- Council on Aging - 7 vacancies

The Illinois Act on the Aging (20 ILCS 105/7.03) requires the Governor to appoint 23 members to the Council on Aging.

- Native American Employment Plan Advisory Council - 3 vacancies

The Native American Employment Plan Act (20 ILCS 60/20) requires the Governor to appoint 11 members to the Native American Employment Plan Advisory Council.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- Southwestern Illinois Metropolitan and Regional Planning Commission - 8 vacancies

The Southwestern Illinois Metropolitan and Regional Planning Act (70 ILCS 1710/5) requires the Governor to appoint 8 commissioners to the Southwestern Illinois Metropolitan and Regional Planning Commission.

- Mid-America Intermodal Authority Port District Board - 1 vacancy

The Mid-America Intermodal Authority Port District Act (70 ILCS 1832/105) requires the Governor, by and with the advice and consent of the Senate, to appoint 3 members to the Mid-America Intermodal Authority Port District Board.

- Community and Residential Services Authority - 1 vacancy

The School Code (105 ILCS 5/14-15.01) requires the Governor to appoint 6 members to the Community and Residential Services Authority.

- Adult Use Cannabis Health Advisory Committee - 4 vacancies

The Cannabis Regulation and Tax Act (410 ILCS 705/5-25) requires the Governor to appoint 28 members to the Adult Use Cannabis Health Advisory Committee.

- Illinois Forestry Development Council - 4 vacancies

The Forestry Development Act (525 ILCS 15/6b) requires the Governor to appoint 7 members to the Illinois Forestry Development Council.

- Women's Business Ownership Council – 1 vacancy

The Women's Business Ownership Act of 2015 (20 ILCS 5060/5) requires the Governor to appoint 5 members to the Women's Business Ownership Council.

- Medical Cannabis Advisory Board – 1 vacancy

The Compassionate Use of Medical Cannabis Program Act (410 ILCS 130/45(g) and (h)) requires the Governor to appoint 16 members to the Medical Cannabis Advisory Board.

- University of Illinois at Chicago School of Public Health Workgroup – 1 vacancy

The Health in All Policies Act (410 ILCS 155/10(d)(17)) requires the Governor to appoint one representative of the Office of the Governor to serve as a member of the University of Illinois at Chicago School of Public Health Workgroup.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- Western Illinois Economic Development Authority – 5 vacancies

The Western Illinois Economic Development Authority Act (70 ILCS 532/20(b)) requires the Governor to appoint 6 members to the Western Illinois Economic Development Authority.

- Access and Functional Needs Advisory Committee – 4 vacancies. In addition, 11 of 11 (100%) appointments were not made by January 1, 2022. The appointments were made 37 to 258 days late.

The Illinois Emergency Management Agency Act (20 ILCS 3305/23) requires the Governor to appoint 15 members to the Access and Functional Needs Advisory Committee on or before January 1, 2022.

- Capital Development Board – 1 vacancy

The Capital Development Board Act (20 ILCS 3105/5) requires the Governor to appoint 7 members to the Capital Development Board.

- Illinois African-American Family Commission – 1 vacancy

The African-American Family Commission Act (20 ILCS 3903/20) requires the Governor to appoint 7 members to the Illinois African-American Family Commission.

- Crime Reduction Task Force – 7 vacancies. In addition, 6 of 6 (100%) appointments were not made within 30 days of the effective date of the Crime Reduction Task Force Act. The appointments were made 71 to 253 days late.

The Crime Reduction Task Force Act (20 ILCS 3926/1-10) requires the Governor to appoint 12 members by June 9, 2022.

- Domestic Violence Task Force – 4 vacancies

The Domestic Violence Task Force Act (20 ILCS 4106/15) requires the Governor to appoint 8 members to the Domestic Violence Task Force.

- College Course Materials Affordability and Equitable Access Task Force – 1 vacancy. In addition, 10 of 10 (100%) appointments were not made within 90 days of the effective date of the College Course Materials Affordability and Equitable Access Collaborative Study Act. The appointments were made 50 to 188 days late

The College Course Materials Affordability and Equitable Access Collaborative Study Act (20 ILCS 4101/5) requires the Governor to appoint 11 members to the College Course Materials Affordability and Equitable Access Task Force by October 21, 2021.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- High-Speed Railway Commission – 3 vacancies. In addition, 2 of 9 (22%) appointments were not made by January 1, 2023. The appointments were made 71 to 131 days late.

The High-Speed Railway Commission Act (20 ILCS 4102/5) requires the Governor to either serve as a member or appoint a designee and appoint 11 other members to the High-Speed Railway Commission by January 1, 2023.

- Illinois America 250 Commission – 4 vacancies. In addition, the Governor did not appoint a member to serve as the Chair of the Illinois America 250 Commission.

The Illinois America 250 Commission Act (20 ILCS 4114/25) requires the Governor to appoint 12 members to the Illinois America 250 Commission and appoint a member to serve as the Chair.

- Illinois South Asian American Advisory Council – 5 vacancies

The Illinois South Asian American Advisory Council Act (20 ILCS 4120/15) requires the Governor to appoint 5 members, including the Chairperson, to the Illinois South Asian American Advisory Council.

- Illinois Law Enforcement Certification Review Panel – 1 vacancy. In addition, 3 of 3 (100%) appointments were not made within 30 days after the effective date of the Illinois Police Training Act. The appointments were made 285 to 359 days late.

The Illinois Police Training Act (50 ILCS 705/3.1) requires the Governor to appoint 4 members to the Illinois Law Enforcement Certification Review Panel by February 6, 2022.

- Illinois Committee for Agricultural Education – 2 vacancies

The School Code (105 ILCS 5/2-3.80(d)) requires the Governor to appoint 13 members to the Illinois Committee for Agricultural Education.

- Climate Jobs Advisory Council – 10 vacancies

The University of Illinois Act (110 ILCS 305/165(b)) requires the Governor to appoint 10 members to the Climate Jobs Advisory Council.

- Illinois State Medical Board – 3 vacancies

The Medical Practice Act of 1987 (225 ILCS 60/7.1(A)) requires the Governor to appoint 17 members to the Illinois State Medical Board.

2023-002 **FINDING** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

- Medicaid Business Opportunity Commission – 5 vacancies

The Illinois Public Aid Code (305 ILCS 5/5-30.16) requires the Governor to appoint 8 members to the Medicaid Business Opportunity Commission.

- Mahomet Aquifer Council – 11 vacancies

The Illinois Groundwater Protection Act (415 ILCS 55/5-5) requires the Governor to appoint 20 members to the Mahomet Aquifer Council.

Additional instances of noncompliance with state mandates requiring the Governor to appoint members during the examination period are reported in the Management Audit of Boards and Commissions.

Office management indicated the majority of the vacancies were due to the lack of resources needed to identify appointees meeting very specific statutory qualifications for the substantial number of required appointments and ongoing turnover and expirations in appointed positions.

Failure to timely appoint members to boards, commissions, councils, committees, and other entities may prevent those entities from carrying out their mandated duties. (Finding Code No. 2023-002, 2021-003, 2019-004, 2017-002, 2015-002, 2013-002, 11-2, 09-3, 07-2)

RECOMMENDATION

We recommend the Office take necessary measures to ensure timely appointment of qualified members to the boards, commissions, councils, committees, and other entities as required by statute or seek legislative remedy.

OFFICE RESPONSE

The Office accepts this finding. The appointment of persons to boards, commissions, councils, and committees is among the Office's primary duties. However, the challenges presented in the work of gubernatorial appointments require a nuanced level of attention to find candidates who satisfy the specific statutory requirements of the position for the particular board, commission, council, or committee. There are nearly 400 boards, commissions, councils, and committees for which the Governor is one of the responsible appointing authorities, and in turn, over 4,500 individual seats to which the Governor must make an appointment. Accordingly, the Governor's Office prioritizes the appointment of members to regulatory boards and those boards that have insufficient numbers of sitting members to transact business because they do not have a quorum. We would note that those individuals serving in expired terms on non-senate confirmed boards, commissions, councils, and committees are almost always able to holdover after their statutory terms

2023-002 **<u>FINDING</u>** (Appointments of Members to Boards, Commissions, Councils, and Committees) (Continued)

have ended and until additional appointment action can be taken. In such circumstances, while a vacancy may exist as to the term of office, the holdover officers remain authorized to exercise the duties of the position and may continue to transact business on behalf of the state as *de facto* officers. See Ill. Att'y Gen. Op. No. I-07-031, issued May 25, 2007.

2023-003 **FINDING** (Noncompliance with Statutorily Mandated Responsibilities)

The Office of the Governor (Office) did not comply with certain provisions of statutory mandates.

As noted in Finding 2023-002, the Office did not identify all applicable laws with specific mandates significant to the Office. As a result, we were unable to conclude 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 § 205.36) in order to fully test the Office's compliance over statutory mandated responsibilities.

Even given the population limitations noted above, which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the statutory mandates identified by the Office and by our own procedures and noted the following:

- The Violence Prevention Task Force did not prepare and submit to the Governor a report of its activities for Fiscal Years 2022 and 2023.

The Violence Prevention Task Force Act (20 ILCS 4028/1 et seq.) requires the Violence Prevention Task Force, which is chaired by the Governor's appointee, to report to the Governor and General Assembly, by December 1 of each year, its activities for the previous year.

- The Office could not provide documentation to determine whether qualifications of members appointed by the Governor to the Upper Illinois River Valley Development Authority were in accordance with the statute and whether the members were appointed with the advice and consent of the Senate.

The Upper Illinois River Valley Development Authority Act (70 ILCS 530/4) requires the Governor to appoint 10 members to the Upper Illinois River Valley Development Authority, with the advice and consent of the Senate. Members shall reside within the territorial jurisdiction of the Act and shall be persons of recognized ability and experience in one or more of the following areas: economic development, finance, banking, industrial development, small business management, real estate development, community development, venture finance, organized labor or civic, or community or neighborhood organization.

- The Office could not provide documentation to determine whether qualifications of members appointed by the Governor to the Western Illinois Economic Development Authority were in accordance with the statute and whether the members were appointed with the advice and consent of the Senate.

The Western Illinois Economic Development Authority Act (70 ILCS 532/20(b)) requires the Governor to appoint 6 members to the Western Illinois Economic Development Authority, with the advice and consent of the Senate. All public members shall reside within the territorial jurisdiction of the Authority. The public members shall be persons of recognized ability and experience in one or more of the following areas: economic

2023-003 **FINDING** (Noncompliance with Statutorily Mandated Responsibilities) (Continued)

development, finance, banking, industrial development, state or local government, commercial agriculture, small business management, real estate development, community development, venture finance, organized labor, or civic or community organization.

- The Green Governments Council (Council) did not prepare and submit annual reports on the results of environmental sustainability actions taken by State agencies, educational institutions and units of local government for Fiscal Years 2021 and 2022.

The Green Governments Illinois Act (Act) (20 ILCS 3954/1 et seq.) requires the Council to report annually to the Governor and General Assembly by November 1st of each year. The Act also requires the Office to provide administrative support to the Council.

- The Governor failed to timely appoint three of three (100%) members to the Advisory Commission on Reducing the Disproportionate Representation of African-American Children in Foster Care. The appointments were made 234 to 342 days late.

The Advisory Commission on Reducing the Disproportionate Representation of African-American Children in Foster Care Act (20 ILCS 4104/10) required the Governor to appoint 3 members to the Advisory Commission on Reducing the Disproportionate Representation of African-American Children in Foster Care by October 19, 2021.

- The Governor had not established a Health Care Worker Registry working group to lead the activities under the Health Care Worker Background Check Act.

The Health Care Worker Background Check Act (225 ILCS 46/40.1) requires the Office to establish a working group regarding the activities under the Act to evaluate and monitor the success of health care waivers in creating job opportunity for people with criminal records and to identify and recommend changes to the waiver application and implementation process to reduce barriers for applicants and employees.

Additional instances of noncompliance with state mandates during the examination period are reported in the Management Audit of Boards and Commissions.

Office management indicated the failure to comply with certain provisions of statutory mandates was due to competing priorities and management oversight.

Failure to perform mandated responsibilities prevents the Office from effectively serving the people of the State. (Finding Code No. 2023-003, 2021-004, 2019-005, 2017-003, 2015-003, 2013-003, 11-4, 09-5, 07-5)

RECOMMENDATION

We recommend the Office implement adequate internal controls to ensure compliance with statutory requirements or seek legislative remedy.

2023-003 **FINDING** (Noncompliance with Statutorily Mandated Responsibilities) (Continued)

OFFICE RESPONSE

The Office accepts this finding. Recognizing that required work product often is filed through various channels, the Office's Executive Appointments team (Executive Appointments) collaborated internally to address the need for visibility and organizational structure. Executive Appointments created an internal standard operating procedure to streamline the location and organization of received reports to ensure all Office teams involved in the work (Executive Appointments, Operations, and Deputy Governor staff) are made aware in a timely manner of reports that have been submitted to the Office. In addition, in March 2024, Executive Appointments added additional directory language to both the boards and commissions website (govappointments.illinois.gov) as well as the Governor's Office website (https://gov.illinois.gov) to clarify the preferred method for submittal of reports and directing board and commission representatives to electronic mailboxes that were already in use for the receipt of required reports and appointments.

Regarding the qualifications of appointees, the Office would note that because of statutory terms of office some appointees to boards, commissions, councils, and committees were appointed by the prior gubernatorial administration. Executive Appointments was able to supply application materials and resumes for those individuals appointed by the current administration and ensure that those appointees satisfy the statutory criteria. Unless an individual applied directly online via the portal, however, Executive Appointments was unable to locate and provide documentation of the qualifications of those individuals who continue to serve in a holdover capacity. As new appointments are made to boards, commissions, councils, and committees, it is anticipated that information regarding the qualifications of prospective candidates for specific offices will be obtained and reviewed for conformity with statutory criteria.

2023-004 **FINDING** (Inadequate Controls Over Receipts Processing)

The Office of the Governor (Office) did not maintain adequate controls over receipts processing.

We noted the Office did not maintain adequate segregation of duties over cash receipts during Fiscal Years 2022 and 2023. Multiple employees had the authority to receive revenues, make deposits and maintain the cash receipts listing. The Office deposited receipts totaling $304,938 and $156,398 in Fiscal Years 2022 and 2023, respectively.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance revenues are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal controls require the Office to maintain adequate segregation of custody and recordkeeping duties in order to help ensure the safeguarding of assets and the accuracy and reliability of accounting data.

Office management indicated the lack of segregation of duties was due to limited staff physically available in the Office at any one time to record and deposit receipts and inconsistent enforcement of controls to segregate duties over receipts processing.

A lack of adequate segregation of duties increases the likelihood that a loss from fraud, theft, or undetected errors and discrepancies could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2023-004, 2021-005, 2019-006, 2017-007)

RECOMMENDATION

We recommend the Office allocate sufficient personnel in order to maintain effective segregation over the authorization, custody, and record keeping of receipts.

OFFICE RESPONSE

The Office accepts this finding. The Office recognizes that segregation of authorization, custody, and recordkeeping duties is an integral part of receipt processing and fiscal management. The Office has developed additional policies to further strengthen its segregation of duties in the receipt process. Additional staff has been hired and assigned to various tasks to establish discrete duties.

Further, training has been provided to ensure that receipts and refunds are deposited timely and accurately and done by properly assigned staff. In addition, the Office processes receipts on an infrequent basis and did not appreciate the need to utilize the ERP module. As we have become aware of the benefits of the ERP module, the Office has implemented the PSCD module in ERP for receipt processing and will continue to review other ERP modules for use as appropriate.

2023-005 **FINDING** (Inadequate Controls Over Monthly Reconciliations)

The Office of the Governor (Office) did not have adequate controls over reconciliations of monthly appropriations, cash receipts, contracts, expenditures, obligations and cash balances.

During testing of Fiscal Years 2022 and 2023 reconciliations between the Office of Comptroller (Comptroller) records and the Office's records, we noted:

Monthly Appropriations Status Reports

- Fourteen of 28 (50%) Monthly Appropriations Status Reports (SB01) reconciliations did not include documentation of a review by an independent person.

- One of 28 (4%) SB01 reconciliations were not signed by the preparer.

- Five of 28 (18%) SB01 reconciliations were not provided, including four reconciliations for lapse period.

- Nine of 28 (32%) SB01 reconciliations were completed 1 to 445 days late.

- The Office did not correct their records for net differences of $3,224 and $3,552 noted within the SB01 reconciliations as of September 30, 2022 and 2023, respectively.

Cash Reports

- Seventy-two of 72 (100%) Cash Report (SB05) reconciliations lacked sufficient documentation indicating a proper reconciliation was conducted. Thirty-three (46%) of the 72 SB05 reconciliations were not completed at all by the Office.

- Fifteen of 72 (21%) SB05 reconciliations did not include documentation of a reviewer.

- One of 72 (1%) SB05 reconciliations was not prepared timely. The reconciliation was prepared 66 days after the month ended.

- Two of 72 (3%) SB05 reconciliations were not dated by the preparer. Therefore, timeliness of the reconciliation could not be determined.

- One of 72 (1%) SB05 reconciliations was not signed by the preparer.

Monthly Agency Contract Reports and Monthly Obligation Activity Report

- For Fiscal Year 2022, the Office did not perform fourteen of 14 (100%) reconciliations between the Office's records and the Comptroller's Monthly Agency Contract Reports (SC14 Reports) or Monthly Obligation Activity Reports (SC15 Reports).

- For Fiscal Year 2023, the Office did not perform four of 14 (29%) reconciliations between the Office's records and the Comptroller's SC14 Reports or SC15 Reports.

2023-005 **FINDING** (Inadequate Controls Over Monthly Reconciliations) (Continued)

Monthly Revenue Status Reports

- Seventeen of 24 (71%) Monthly Revenue Status Report (SB04) reconciliations tested did not include documentation of a review by an independent person.

- Ten of 24 (42%) SB04 reconciliations tested were not timely prepared within 60 days of month end. Reconciliations were prepared five to 616 days late.

- One of 24 (4%) SB04 reconciliations tested was not performed by the Office.

- The Office prepared insufficient SB04 reconciliations during Fiscal Year 2022 and Fiscal Year 2023, as follows:

    - The Fiscal Year 2023 SB04 reconciliations did not identify a $10,000 overstatement on the Office's receipt records for a receipt received in October 2022.

    - Five of 24 (21%) SB04 reconciliations did not properly identify reconciling in-transit items, which accounted for temporary differences between Office records and the SB04 reports.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports; and to maintain accountability over the State's resources. The Statewide Accounting Management System (SAMS) (Procedures 11.40.20, 25.40.20, 09.40.10, and 15.30.30) require the Office to perform monthly reconciliations of Office appropriation, revenue, cash, and contract or obligation records to the Comptroller within 60 days of the month end. SAMS requires the Office to notify the Office of Comptroller of any unreconcilable differences so necessary corrective action can be taken to locate the differences and correct the accounting records.

Office management indicated the noncompliance, lack of documentation and unresolved differences in the Office records were due to turnover in key personnel and management oversight.

Failure to accurately perform, document, timely complete and review reconciliations, and report or resolve necessary corrections of Comptroller or agency records increases the risk that discrepancies will go undetected, thereby diminishing the effectiveness of data and undermining user confidence in the accuracy of financial information. (Finding Code No. 2023-005, 2021-006, 2019-009)

2023-005 **FINDING** (Inadequate Controls Over Monthly Reconciliations) (Continued)

RECOMMENDATION

We recommend the Office implement adequate internal controls and maintain documentation demonstrating reconciliations are all properly performed and reviewed in a timely manner and discrepancies are investigated, resolved and reported as required.

OFFICE RESPONSE

This Office accepts this finding. The Office has added “preparer” and “reviewer” staff to all reconciliations to document the review by an independent person so that any discrepancies may be identified, investigated, resolved, and reported in a timely manner. The Office would note with regard to the $10,000 overstatement that it was a Receipt Deposit Transmittal (RDT) that was logged incorrectly as $15,000. The RDT was processed and recorded in other Office records in the correct amount of $5,000. The discrepancy can be attributed to human error.

The Office has added the PSCD module in ERP, allowing both the “credit” and the “debit” sides of transactions to be recorded in SAP and permitting the in-transit items be more accurately reported. All reconciliations are now completed via the ERP/HANA system.

2023-006 **FINDING** (Failure to Maintain Proper Controls over Personal Services Functions)

The Office of the Governor (Office) failed to maintain proper controls over its personal services functions.

Personnel Files

We noted one of the 17 (6%) employees we tested, who separated during the examination period, remained on the payroll for three pay periods after separation and was paid for one of those subsequent three pay periods. The Office overpaid $3,552 for the separated employee, which they subsequently recovered.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (FCIAA) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Employee Attendance Records

During our testing of employee attendance records, we noted:

- Eighteen of 60 (30%) timesheets tested were not submitted timely. We noted instances in which weekly timesheets were completed from 2 to 161 days late.
- Ten of 60 (17%) timesheets tested were approved from 31 to 178 days after the period ended.
- One of 60 (2%) timesheets tested lacked approval by the employee's supervisor.
- Fourteen of 60 (23%) employee leave requests tested were requested 2 to 77 days late, including 12 requests submitted after vacation, personal, and equivalent earned time (EET) leave was taken.
- Sixteen of 60 (27%) employee absences were not timely approved by the employee's supervisor. We noted instances in which absences were approved from 7 to 211 days after the time was taken by the employee.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to maintain a system, or systems, of fiscal and administrative controls to ensure funds are safeguarded against waste, loss, unauthorized use and misappropriation, and expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports. The Office's Employee Handbook (Handbook) effective through January 13, 2022 required all employees to complete timesheets by close of business each Wednesday for the prior weeks' time. Thereafter, the Handbook simply required weekly time reports and the Office continued to follow the previous written policy to submit timesheets each Wednesday. Until January 14, 2022, the Handbook required employees to submit requests for vacation, personal, and EET time at least one week in advance of the start of the requested time off. As of January 14, 2022,

2023-006 **FINDING** (Failure to Maintain Proper Controls over Personal Services Functions) (Continued)

the Handbook required submission of requests for vacation, personal, and EET time in advance of the start of the requested time off when possible.

Payroll Withholding

During our testing of a sample of 50 employee's payroll withholdings, we noted seven (14%) employees' federal and/or state income taxes were withheld at an incorrect rate based upon the employees' Federal/Illinois W-4 Employee's Withholding Allowance Certificate (Form C-25) on file. We noted a net difference of $76 between the employees' payroll withholdings and the recalculated withholdings for the pay period tested based on employees' Form C-25.

The Internal Revenue Service Publication 15 (Circular E), Employers Tax Guide, requires employers to withhold federal income tax from each wage payment according to the employee's Form W-4 and correct withholding table. The State Salary and Annuity Withholding Act (5 ILCS 365/3) requires withholding of deductions from an employee's salary based upon the withholding authorization which the employee has completed.

Employee Training

We tested training records of new hires and noted three of 22 (14%) sampled employees lacked documentation of completion of the initial ethics training within 30 days of commencing employment.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10) requires each officer, member, and employee to complete, at least annually, an ethics training program. In addition, the Act requires an initial ethics training to be completed within 30 days after commencement of employment.

Reporting

The Office failed to report the four employees with physical disabilities on the Office's Fiscal Year 2021 Agency Workforce Report (Report) filed during the examination period.

The State Employment Records Act (Act) (5 ILCS 410/20) requires the Office to collect, classify, maintain, and report work force information on a fiscal year basis.

Office management indicated untimely employee removal from payroll was due to oversight and the failure to review separation documents before preparing and signing the payroll voucher. Office management indicated the differences in calculating withholding were due to clerical errors by Office personnel not entering the most up-to-date or correct withholding authorization into the payroll system. Office management indicated the other deficiencies noted were due to oversight.

2023-006 **FINDING** (Failure to Maintain Proper Controls over Personal Services Functions) (Continued)

Failure to establish and maintain adequate fiscal and administrative controls over personal services represents noncompliance with laws, rules, and regulations, and could result in inaccurate payroll expenditures, unnecessary legal risks due to incomplete withholding from an employee's pay, and unapproved payroll expenditures. (Finding Code No. 2023-006, 2021-008, 2019-003)

RECOMMENDATION

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

- Strengthening its controls to ensure personnel transactions are timely recorded and reviewed, particularly for separated employees;
- Ensuring employee authorizations for payroll deductions are entered into the payroll system timely and correctly;
- Ensuring documentation of employees' requests and approval of time off is completed timely;
- Ensuring employees submit and supervisors approve employee timesheets timely;
- Ensuring employees timely complete initial required trainings timely; and,
- Accurately completing information reported on the Agency Workforce Reports.

OFFICE RESPONSE

The Office accepts this finding.

Personnel Files:
Establishing and maintaining accurate records as well as entering transactions in a timely manner provides assurance for all parties that errors are minimized. Beginning in December 2023, the Governor's Office, Department of Human Resources (HR office), has effectively established a confirmation process for separated employees. The HR office has implemented a recurring quality check on each transaction log to strengthen the previously established procedures related to removal of separated employees. This process confirms that the removal of any separated employee(s) from the previous payroll period has been completed and the offboarded employee(s) is no longer on the payroll system for the Office. Since the implementation of this procedure, the Office has not experienced any errors or oversights in the removal of employees no longer employed by the Office.

2023-006 **FINDING** (Failure to Maintain Proper Controls over Personal Services Functions) (Continued)

Employee Attendance Records:
The Office understands the importance of maintaining accurate and comprehensive timekeeping records. We are determined to achieve a timelier turnaround of our employees' records. Efforts that contribute to this include monitoring the workforce through a monthly timekeeping audit. This audit is facilitated by the Office's Timekeeper, a member of the Human Resources team tasked with the responsibility of ensuring that the timesheets of the past month have been completed and all corresponding time off requests have been submitted. If not timely submitted after the initial contact, the Timekeeper will contact the supervisor of the employee, as well as the employee, regarding compliance. If not rectified at this juncture, the issue will be escalated to the Chief of Staff or the Chief's designee for resolution. The same procedure applies to the timeliness on the part of the supervisors' approval of submitted timesheets.

Additionally, the Office has implemented an onboarding meeting with newly hired staff and the HR team members. One point of emphasis during this meeting, which is conducted within the first two weeks of the employee's start date, is the need for accurate timekeeping and the procedures associated with this task. The HR representative discusses the importance of timekeeping, addresses any questions the employee may have about the program/policy, and even provides visual aids (screen sharing) to ensure all aspects of input and requests are thoroughly covered.

Payroll Withholding:
The importance of accurately recording and processing tax withholdings and deductions coincides with the necessary management of personnel files. The Office has implemented measures to increase awareness of changes submitted by employees for tax-related forms and purposes, as well as other changes that are captured in the Central Payroll System. In addition, the HR team has segregated certain payroll related tasks --one member of the HR team enters data, a secondary review of the entered data is undertaken by a second HR team member prior to the closing date of payroll transactions. A team member of the Fiscal office then completes an additional review of all transactions entered for the payroll period. This procedure provides a comprehensive system to ensure documented tax information is successfully entered into the system. The three levels of entry and review are designed to reduce error, eliminate omissions, and avoid any oversight that has previously created errors in employee withholding and/or other tax related updates. The Office HR staff is committed to ensuring accuracy with this and all areas of data input for payroll purposes. To increase quality assurance, an annual internal file audit is intended to confirm accuracy with these types of entries.

Employee Training:
Initial and ongoing trainings are essential for workforce growth and development. The Office embraces all required trainings and strives to ensure compliance. On the first day of employment, the HR team corresponds via email with pertinent information for the employee's acclimation to the Office. The email outlines the trainings required to be completed and the timeline of expected completion. The employee is directed to complete the trainings as soon as possible to ensure compliance with policies. A commitment to

2023-006 **FINDING** (Failure to Maintain Proper Controls over Personal Services Functions) (Continued)

compliance was the catalyst for the implementation of an onboarding meeting within two weeks of the employees' hire date. The HR team reviews the progress and/or completion of the trainings prior to this meeting. This communication channel allows the HR team to discuss the importance of these training and, if applicable, inform the newly hired employee of the timeline for completion of all trainings.

Reporting:
Accuracy in reporting EEO data on various annual reports is crucial to evaluating the Office's workforce composition and promoting diversity. With greater monitoring of and accumulative totaling on workforce reports, as well as quarterly and annual EEO reports, necessary information is tracked more accurately. Establishing a system to maintain a "running total" of demographics and disabilities provided by staff members on both onboarding and annual disability reports will undoubtedly improve tracking and accuracy by providing the Office a live snapshot of these totals.

2023-007 **FINDING** (Inadequate Controls Over State Property)

The Office of the Governor (Office) did not maintain adequate controls over State property and equipment.

- During testing of the Office's quarterly Agency Report of State Property (Form C-15) we noted an unsupported balance and reporting deficiencies. Specifically:

  - The Office had an unknown difference, totaling $5,527, between the Office's June 30, 2022 property listing and the June 30, 2022 Form C-15.

  - Two of 8 (25%) quarterly Form C-15 were filed with the Office of Comptroller one and three days late.

  The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) requires the Form C-15 to be filed on a quarterly basis and be submitted to the Office of Comptroller no later than the last day of the month following the last day of the quarter. SAMS (Procedure 29.10.30) states the Form C-15, when properly completed presents the total cost of State property, by category, reflected on the agency's records as of the reporting date. SAMS (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied.

- During testing of property deletions, we noted twelve of 30 (40%) deletions tested, totaling $21,948, were removed from the Office's property records 2 to 694 days late.

  The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.400) requires agencies to adjust property records within 90 days of acquisition, change or deletion of equipment items. The State Records Act (5 ILCS 160/8) requires the head of each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

- During testing of the Office's annual certification of inventory, we noted the Office failed to timely prepare and submit a Certification of Inventory and Discrepancy Report for Fiscal Year 2022. The Certification of Inventory and Discrepancy Report was filed 364 days after the due date. In addition, there was no indication the Office completed an annual physical inventory during Fiscal Year 2022.

  The State Property Control Act (30 ILCS 605/4) requires every responsible officer of State government to be accountable to the administrator for the supervision, control and inventory of all property under his jurisdiction. The Code (44 Ill. Admin. Code 5010.460) requires all agencies to make an annual physical inventory of State equipment in their possession and to submit a Certification of Inventory and Discrepancy Report to the Department of Central Management Services.

2023-007 **FINDING** (Inadequate Controls Over State Property) (Continued)

Office management indicated the exceptions noted were due to personnel turnover and management oversight.

The Office implemented new policies and procedures over electronic media and equipment purchases which signifciantly improved compliance during the examination period for other exceptions reported in the prior finding.

Failure to implement and maintain adequate controls over property and equipment represents noncompliance with statutory mandates, SAMS, and the Code. Additionally, failure to maintain accurate records and to timely submit accurate reports increases the potential for theft or misappropriation of assets and reduces the reliability of capital asset information. (Finding Code No. 2023-007, 2021-002, 2019-002, 2017-001, 2015-001, 2013-001, 11-1)

RECOMMENDATION

We recommend the Office strengthen internal contols over their State property and reporting. Specifically, we recommend the Office:

- Properly review the accuracy and monitor the timely submission of the Form C-15 to the Office of Comptroller to ensure compliance with the requirements of SAMS.
- Evaluate the procedures and strengthen the controls over State property and equipment deletions to ensure timely recordkeeping.
- Strengthen the controls to ensure completion and timely reporting of the Office's annual certification of inventory.
- Maintain adequate records and proper documentation of the Office capital asset activities.

OFFICE RESPONSE

The Office accepts this finding. During the audit period, the Office's fiscal staff spent the necessary time to reconcile property records from FY21 through June 30, 2023. The staff has determined that the "unknown difference" noted in the audit finding was due to a clerical error caused when the Office completed a C-15 report incorrectly using an ending "amount reportable" balance from the report as a beginning balance on the following quarter. We have evaluated the C-15 recording and reporting procedures and beginning in FY23 all C-15 transactions are tracked using SAP.

Additionally, reminders related to reporting deadlines have been created and implemented as part of the recordkeeping process. A "hard copy" calendar of fiscal due dates has also been created and is updated frequently to ensure timely completion and submission of annual fiscal reporting.

2023-007 **FINDING** (Inadequate Controls Over State Property) (Continued)

With respect to the timing of deletions to the Office's property management records, the Office acknowledges that there was a discrepancy between the SAP records and the Office's other equipment inventory records (IOC C-15 report). The Office has evaluated the process and revised it to ensure any deletions (and additions) are reflected at the same time on both the C-15 and in the SAP module. As a result of these changes, inventory balances have been in balance since the beginning of FY24.

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational)

The Office of the Governor (Office) did not make the required appointments to fill vacancies for certain boards, commissions, councils, committees, and task forces it considers to be non-operational.

During testing, we requested the Office to provide a listing of all statutory mandates in effect during the examination period in order to test compliance with specific provisions from its requirements. In response to our request, the Office provided a listing of statutory mandates during the examination period. The Office identified 597 of the major statutes establishing mandates specific to their agency. However, the Office did not identify an additional 36 applicable laws with specific mandates significant to the Office.

Due to the process and control deficiencies identified above, 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 § 205.36) to fully test the Office's compliance over statutory mandated responsibilities.

Even given the population limitations noted above, which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the statutory mandates identified by the Office and by our own procedures and performed the following tests:

Thirty-five of 93 (38%) boards, commissions, councils, and committees tested were considered non-operational by the Office. During our testing, we noted:

- The Office did not make appointments to 28 of 35 (80%) boards, commissions, councils, and committees tested as follows:

    - Interstate Rail Passenger Advisory Council
    - Illinois Plain Language Task Force
    - Weatherization Initiative Board
    - McCormick Place Advisory Board
    - Family Support Center Council
    - Hospital Basic Services Review Board
    - Illinois Valley Regional Port District Board
    - Elmwood Park Grade Separation Authority
    - Illinois Coal Development Board
    - Southwest Suburban Railroad Redevelopment Authority
    - Downstate Illinois Sports Facilities Authority Board
    - Physician Assistant Advisory Committee
    - African American HIV/AIDS Response Officer
    - Advisory Commission on Pension Benefit
    - Social Security Number Protection Task Force
    - Health Care Working Group

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational) (Continued)

- Teacher's Retirement Insurance Program Committee
- Minority Males Task Force
- State Healthcare Workforce Council
- Asian American Family Commission
- Illinois Muslim American Advisory Council
- Illinois Community College Board
- Health Care Worker Task Force
- Illinois Youth Development Council
- Green Governments Council
- Task Force on Transitional Housing for Sex Offenders
- Commission on Amateur Sports
- Chicago Casino Advisory Committee

Additional instances of noncompliance with state mandates requiring the Governor to appoint members during the examination period are reported in the Management Audit of Boards and Commissions.

The Interstate Rail Passenger Network Compact Act (45 ILCS 77/25) requires the Governor to appoint 4 members to the Interstate Rail Passenger Advisory Council.

The Illinois Plain Language Task Force Act (20 ILCS 4090/15(a)) requires the Governor to appoint 3 members to the Illinois Plain Language Task Force.

The Urban Weatherization Initiative Act (30 ILCS 738/40-40(b)) requires the Governor to appoint 5 members to the Weatherization Initiative Board.

The Metropolitan Pier and Exposition Authority Act (70 ILCS 210/23.1(f)) requires the Governor to appoint 2 members to the McCormick Place Advisory Board.

The Family Support Demonstration Project (325 ILCS 30/6) requires the Governor to appoint members to the Family Support Center Council for the purpose of planning and implementing the establishment and development of a family support center.

The Hospital Basic Services Preservation Act (20 ILCS 4050/7(b)) requires the Governor to appoint 1 member to the Hospital Basic Services Review Board.

The Illinois Valley Regional Port District Act (70 ILCS 1815/31) requires the Governor to appoint 2 members to the Illinois Valley Regional Port District Board.

The Elmwood Park Grade Separation Authority Act (70 ILCS 1935/50) requires the Governor to appoint 9 members to the Elmwood Park Grade Separation Authority.

The Energy Conservation and Coal Development Act (20 ILCS 1105/8) requires the Governor to appoint 8 members to the Illinois Coal Development Board.

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational) (Continued)

The Southwest Suburban Railroad Redevelopment Authority Act (70 ILCS 1930/35) requires the Governor to appoint 5 members to the Southwest Suburban Railroad Redevelopment Authority.

The Downstate Illinois Sports Facilities Authority Act (70 ILCS 3210/15) requires the Governor to appoint 8 members to the Downstate Illinois Sports Facilities Authority Board.

The Physician Assistant Practice Act of 1987 (225 ILCS 95/11) requires the Governor to appoint 4 members and approve 1 member to the Physician Assistant Advisory Committee. No member shall serve more than 2 consecutive terms.

The African-American HIV/AIDS Response Act (410 ILCS 303/10) requires the Governor to designate an African-American HIV/AIDS Response Officer.

The Illinois Pension Code (40 ILCS 5/1A-201) requires the Governor to appoint 8 persons to the Advisory Commission on Pension Benefits. Four of the persons appointed by the Governor shall represent different Statewide labor organizations, of which 2 shall be organizations that represent primarily teachers and 2 shall be organizations that represent primarily State employees other than teachers.

The Social Security Number Protection Task Force Act (20 ILCS 4040/10) requires the Governor to appoint 1 member to the Social Security Number Protection Task Force.

The Health Care Worker Background Check Act (225 ILCS 46/40.1) requires the Office to establish a working group regarding the activities under the Act to evaluate and monitor the success of health care waivers in creating job opportunity for people with criminal records and to identify and recommend changes to the waiver application and implementation process to reduce barriers for applicants or employees.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(g-5)) requires the Governor to appoint 10 members to the Teacher's Retirement Insurance Program Committee.

The Minority Males Act (20 ILCS 4000/3) requires the Governor to appoint 5 members to a Minority Males Task Force.

The Comprehensive Healthcare Workforce Planning Act (20 ILCS 2325/15(a) and (b)) requires a representative of the Governor's Office to be a member and requires the Governor to appoint 9 members, who shall be healthcare workforce experts, to the State Healthcare Workforce Council. Additionally, the Comprehensive Healthcare Workforce Planning Act (20 ILCS 2325/15(c)) requires the Governor to appoint a healthcare workforce expert from the non-governmental sector to serve as Vice-Chair.

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational) (Continued)

The Asian American Family Commission Act (20 ILCS 3916/10(b)) requires the Governor to appoint 3 members to the Asian American Family Commission and requires the Governor to appoint the chairperson or chairpersons.

The Illinois Muslim American Advisory Council Act (20 ILCS 5110/20) requires the Governor to appoint 1 member to be the representative of the Office of the Governor. Additionally, the Governor is required to appoint 4 members to the Illinois Muslim American Advisory Council and select the chairperson of the Council from among members.

The Public Community College Act (110 ILCS 805/2-26(b)) requires the Governor to appoint a minimum of ten members with listed qualifications to the Advisory Board established by the Illinois Community College Board.

The Health Care Worker Background Check Act (225 ILCS 46/65(d)) requires the Governor to appoint 7 members to the Health Care Worker Task Force, including one member which is a chairman knowledgeable about health care issues.

The Afterschool Youth Development Project Act (325 ILCS 27/15(b)(1)) requires the Governor to appoint at least 11 members to the Illinois Youth Development Council.

The Green Governments Illinois Act (20 ILCS 3954/15) requires the Governor to chair the Green Governments Council and requires a minimum of one staff position in the Office of the Governor to be dedicated to the Green Governments Illinois Program.

The Unified Code of Corrections (730 ILCS 5/3-19-15(a)(7)) requires the Governor to appoint 2 members from the Governor's Office to the Task Force on Transitional Housing for Sex Offenders.

The Illinois Commission on Amateur Sports Act (20 ILCS 4107/10) requires the Governor to appoint 24 members to the Illinois Commission on Amateur Sports.

The Illinois Gambling Act (230 ILCS 10/7.14) requires the Governor to appoint 5 members to the Chicago Casino Advisory Committee.

- The Office did not make the required number of appointments to fill vacancies on 2 of 35 (6%) boards, commissions, councils, and committees tested. These were the following:

  - Mt. Carmel Regional Port District Board (7 members) – 1 (14%) vacancy
    Additionally, the remaining 6 member are serving on expired terms.
  - Advisory Council on Youth HIV/AIDS Prevention Messages (5 members) – 1 (20%) vacancy
    Additionally, the remaining 4 members are serving on expired terms.

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational) (Continued)

The Mt. Carmel Regional Port District Act (70 ILCS 1835/21) requires the Governor to appoint 7 members to the Mt. Carmel Regional Port District Board with a term of three years.

The Civil Administrative Code of Illinois (20 ILCS 2310/2310-323) requires the Governor to appoint 5 members to the Advisory Council on Youth HIV/AIDS Prevention Messages. Members are to serve for three year terms or until their successor is appointed and qualified.

- Four of 35 (11%) of boards, commissions, councils, and committees tested were not created, thus no members were appointed. These were the following:
  - Metro East Solid Waste Disposal and Energy Producing Service
  - Springfield High Speed Railroad Community Advisory Commission
  - Advisory Board on Necropsy Service to Coroners
  - Dixon Railroad Relocation Authority

The Metro East Solid Waste Disposal and Energy Producing Service Act (70 ILCS 3110/5) requires the Governor to appoint 1 member from each of the participating municipalities to the Metro East Solid Waste Disposal and Energy Producing Service.

The Springfield High Speed Railroad Community Advisory Act (610 ILCS 135/10) requires the Governor to appoint 1 member to the Springfield High Speed Railroad Community Advisory Commission.

The Civil Administrative Code of Illinois (General Provisions and Departments of State Government) (20 ILCS 5/5-565(c)) requires the Governor to appoint 11 members to the Advisory Board on Necropsy Service to Coroners.

The Dixon Railroad Relocation Authority Law (70 ILCS 1925/5-45) requires the Governor to appoint 5 members to the Dixon Railroad Relocation Authority.

Office management stated vacancies occur and are not communicated to the Office by the contact at the board or commission. Further, Office management stated because these boards are currently non-operational, they have not been prioritized over boards that are deemed operational with vacancies.

Each of the entities noted above is statutorily mandated to perform a function. Failure to appoint members prevents the boards, commissions, councils and committees from carrying out their mandated duties. Failure to perform mandated responsibilities prevents the Office from effectively serving the people of the State. (Finding Code No. 2023-008, 2021-010, 2019-012)

2023-008 **FINDING** (Failure to Make Appointments to Entities Considered Non-operational) (Continued)

RECOMMENDATION

We recommend the Office comply with the required appointments to these boards, commission, councils and committees and comply with statutory requirements or seek a legislative remedy.

OFFICE RESPONSE

The Office accepts this finding. The appointment of members to the State's boards, commissions, councils, and committees is among the primary duties of the Office. In November 2023, the Governor's Office implemented a new tracking system using internal monthly reports to better plan for impending term of office expirations. These reports capture appointments within the last month, applications received in the last 2 months via the online portal, and a 6-month snapshot of forthcoming expirations. Since employing these reports, the Office has witnessed a stronger planning strategy that allows for reappointments to receive more attention and review. These reports are a product of the business intelligence site that was incorporated into the boards and commissions appointment process in June 2023.

2023-009 **FINDING** (Weakness in Cybersecurity Programs and Functions)

The Office of the Governor (Office) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

As part of its mission to govern the State of Illinois, the Office maintains confidential information, such as names, addresses, and Social Security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Office's cybersecurity programs, practices, and control of conditional information, we noted the Office had not:

- Developed a formal, comprehensive, adequate, and communicated security program (including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental and operational requirements.

- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.

- Classified all its data to identify and ensure adequate protection of information.

- Obtained results of vulnerability scans to ensure timely corrective actions were taken to remediate identified vulnerabilities.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Office management indicated that due to an insufficient understanding of their responsibilities, they previously believed the risk assessment and business impact analysis performed by the Department of Innovation and Technology were adequate to address all cybersecurity risks to the Office.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Office's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-009, 2021-009)

2023-009 **FINDING** (Weakness in Cybersecurity Programs and Functions) (Continued)

RECOMMENDATION

We recommend the Office work with the Department of Innovation and Technology to define roles and responsibilities related to cybersecurity control. In addition, we recommend the Office:

- Develop a formal, comprehensive, adequate, and communicated security program (including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental and operational requirements.

- Develop a risk management methodology and perform a comprehensive risk assessment to identify and ensure adequate protection of confidential or personal information.

- Classify its data to establish the types of information most susceptible to attack to ensure adequate protection.

- Obtain the results of vulnerability scans to ensure timely corrective actions were taken to remediate identified vulnerabilities.

OFFICE RESPONSE

The Office accepts this finding. The Office will continue to work with DoIT to develop and implement an appropriate comprehensive cybersecurity program for the Office's computer system. Further, the Office is actively working with DoIT to ensure that proper controls are put into place to monitor the system's programs and functions.

While assessments have been completed and reviewed, the Office acknowledges that more can be done to prevent vulnerabilities, including more frequent assessments of areas of risk. The Office will undertake, in coordination with DoIT, an assessment of the risks and vulnerabilities of its information systems, applications, and data and will work to develop plans to mitigate or address any identified vulnerabilities to avoid the unauthorized disclosure of such information.

2023-010 **FINDING** (Voucher Processing Weaknesses)

The Office of the Governor (Office) did not timely submit its vouchers for payment to the Comptroller's Office during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Office to determine whether certain key attributes were properly entered by the Office's staff into ERP. In order to determine the operating effectiveness of the Office's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's Enterprise Resource Planning (ERP) System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Office's expenditures data for fiscal years 2022 and 2023 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the Office did not timely approve 127 of 2,613 (5%) vouchers processed during the examination period, totaling $484,750. We noted these late vouchers were approved between 1 and 82 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Office to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

Office management indicated the untimely approvals were caused by turnover of key personnel and competing priorities.

Failure to timely process proper bills represents noncompliance with the Code. (Finding Code No. 2023-010, 2021-007, 2019-007, 2017-005)

RECOMMENDATION

We recommend the Office approve proper bills within 30 days of receipt.

OFFICE RESPONSE

The Office accepts this finding. Additional training of the fiscal team related to the legal requirements of the vouchering process has been undertaken and supervisory review of data and vouchers in the system has been added to the vouchering process to ensure that all invoices are date stamped with the proper bill date, all interest penalties are paid, and all invoices are processed in a timely manner and consistent with legal standards.

2023-011 **FINDING** (Failure to Fully Utilize the State's Enterprise Resources Planning System)

The Office of the Governor (Office) did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) System which resulted in unnecessary inefficiency.

The State's implementation of an ERP centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP's processing integrity was sufficient to enable reliance upon ERP's processing of transactions.

For commodities and property inventories, the ERP has several functionalities which reduce the amount of manual transactions and processing time, such as the "shopping cart" feature that creates a purchase order, tracks receipt of the goods or service along with the vendor's related invoice, helps generate the voucher fields necessary for the processing of payment to the vendor, records inventory and property transactions, and enables financial reporting to the Comptroller's Office.

During our examination, we noted:

- The Office processed various receipts, billings, payments, and accounts receivable but did not fully utilize the Public Sector Collection & Disbursements (PSCD) ERP module for these transactions. The PSCD maintains transactions related to receipts, billings, payments and accounts receivable. During the examination period, the Office reported receipts totaling \$304,938 and \$156,398 for fiscal years 2022 and 2023, respectively.

- The Office purchased goods and services from vendors; however, the Office did not fully utilize the Material Management ERP Module. The Material Management Module records transactions related to the purchase of goods/services. Specifically, they did not utilize the "shopping cart" feature.

Government Auditing Standards (§ 1.02) states:

> The concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law. Good internal controls over compliance include ensuring the full capabilities of the ERP are used to efficiently process, record, and report transactions.

2023-011 **FINDING** (Failure to Fully Utilize the State's Enterprise Resources Planning System) (Continued)

Office management indicated they were not aware they should use all applicable components of ERP even if they did not have a large amount of receipts and purchases.

Failure to fully utilize the State's ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency and resulted in the inefficient usage of State resources. (Finding Code No. 2023-011)

RECOMMENDATION

We recommend the Office to work with the Department of Innovation and Technology to transition and fully utilize the PSCD and Materials Management modules of the ERP System.

OFFICE RESPONSE

The Office accepts this finding. The Office has evaluated both the PSCD and Materials Management modules of the ERP system in light of the Office's volume of receipts and purchases. The Office has added the PSCD module in ERP to its fiscal processes.

The Office did not appreciate that the equipment that it purchased constituted "materials," as that term is commonly understood. Consequently, we did not utilize the Materials Management module during the examination period. Should the Office acquire materials in the future, we will plan to activate the Materials Management module at that time. The Office will establish and implement an internal policy as to when/if a purchase requires the use of a purchase order/shopping cart and the Material Management module is to be utilized.

2023-012 **FINDING** (Inadequate Control Over Travel)

The Office of the Governor (Office) did not exercise adequate controls over travel.

During our testing, we noted:

- Twenty of 40 (50%) travel vouchers tested, totaling $45,140, were for travel expenses incurred outside of the borders of the State of Illinois where the Office did not timely request preapproval nor did they request exception requests from the Governor's Office of Management and Budget (GOMB) for the travel. The requests were submitted from 20 days prior to the first day of the trip to 22 days after the first day of the trip.

- One of 40 (3%) travel vouchers tested, totaling $1,600, was for travel expenses incurred outside of the borders of the State of Illinois where the Office did not request approval from GOMB for travel.

- Five of 40 (13%) travel vouchers tested, totaling $6,065, were not submitted for reimbursement within 60 days of the last date of travel as required by the Internal Revenue Service. The voucher was submitted from 9 to 256 days late.

The Governor's Travel Control Board Rules (80 Ill. Adm. Code 2800.700) (Code) requires travel outside of Illinois be approved by the Governor's Office of Management and Budget prior to travel for employees other than the Governor. All requests are to be submitted to the Governor's Office of Management and Budget's on-line travel system at least 30 days in advance of the departure date. The Code states exceptions may be granted in advance by the Chairman of the Governor's Travel Control Board when necessary to meet special or unavoidable circumstances and when in the best interest of the State. Requests for exceptions must be submitted in writing by the Agency Head and submitted sufficiently in advance to allow meaningful consideration.

The Internal Revenue Service (IRS) Publication 535 requires adequate accounting for employee travel expenses within a reasonable period of time, which is generally defined as within 60 days after the expenses were paid or incurred. The IRS Publication requires agencies to consider employee travel expense reimbursements to be taxable wages if they are not timely accounted for.

Office management indicated that out-of-state travel, which is necessary to avoid adverse consequences for the State and to achieve the Office's objectives, often arises with minimal advance notice, primarily due to the nature of personal schedules and last minute changes. Management indicated requests for exceptions were not submitted due to the Office not having enough time to get an exception request filed and received back before the travel would need to occur. Management indicated that travel vouchers were not submitted for reimbursement in a timely manner due to additional time for employees to adjust their submissions for errors or to provide support.

2023-012 **FINDING** (Inadequate Control Over Travel) (Continued)

Failure to exercise adequate control over travel expenditures could result in improper State payments. Lack of internal controls to ensure timely submission of travel vouchers may result in under-reporting of taxable wages for employee travel expense reimbursement requests not submitted within a reasonable period of time. (Finding Code No. 2023-012)

RECOMMENDATION

We recommend the Office implement internal controls to timely request preapproval for travel outside of the borders of the State of Illinois and to require employees to submit travel reimbursement within 60 days of the last day of the trip.

OFFICE RESPONSE

The Office accepts this finding. The Office has applied for an exemption from the Governor's Travel Control Board rules (80 Ill. Adm. Code 2800.700) (Code) as most, if not all of the travel done by the Office, is based on what the best interest of the State is and not subject to time constraints. Additionally, the Fiscal Office has implemented several procedures/policies requiring employees to submit travel reimbursement within 60 days of the last day of the trip or in compliance with lapse period spending requirements, whichever is appropriate.

SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

A. **FINDING** (Inadequate Internal Controls Over Interagency Agreements)

During the prior examination, the Office did not establish adequate internal controls over interagency agreements.

During the current examination, we noted the Office significantly increased timeliness of execution of interagency agreements; however, we noted certain immaterial conditions of noncompliance as further described in the Office's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2023-001. (Finding Code No. 2021-011, 2019-010, 2017-004, 2015-004, 2013-004, 11-3, 09-4, 07-3).