



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS COMMERCE COMMISSION**

Compliance Examination  
 For the Two Years Ended June 30, 2017

Release Date: October 11, 2018

FINDINGS THIS AUDIT: 6	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2013	17-01		
Category 2:	2015		17-03, 17-06	
Category 3:				
<b>TOTAL</b>				

	New	Repeat	Total
Category 1:	0	1	1
Category 2:	3	2	5
Category 3:	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>6</b>

FINDINGS LAST AUDIT: 5

**SYNOPSIS**

- (17-01) The Commission lacked adequate control over its accounts receivable.
- (17-02) The Commission failed to update, and therefore followed a rule which conflicted with the Public Utilities Act.
- (17-03) The Commission did not exercise adequate internal control over its automobiles.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

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

**ILLINOIS COMMERCE COMMISSION  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016	2015
<b>Total Expenditures.....</b>	<b>\$ 52,414,452</b>	<b>\$ 63,685,842</b>	<b>\$ 118,664,686</b>
OPERATIONS TOTAL.....	\$ 45,729,902	\$ 35,678,282	\$ 38,850,010
% of Total Expenditures.....	87.3%	56.0%	32.7%
Personal Services.....	17,126,547	18,620,043	21,063,314
Other Payroll Costs (FICA, Retirement).....	13,172,806	14,456,226	14,935,422
All Other Operating Expenditures.....	15,430,549	2,602,013	2,851,274
AWARDS AND GRANTS.....	6,658,681	\$ 27,999,013	\$ 79,810,039
% of Total Expenditures.....	12.7%	44.0%	67.3%
REFUNDS.....	25,869	\$ 8,547	\$ 4,637
% of Total Expenditures.....	0.0%	0.0%	0.0%
<b>Total Receipts.....</b>	<b>\$ 114,060,533</b>	<b>\$ 147,179,288</b>	<b>\$ 172,842,150</b>
<b>Average Number of Employees (Not Examined).....</b>	<b>197</b>	<b>204</b>	<b>226</b>

SELECTED ACTIVITY MEASURES (Not Examined)	2017	2016	2015
Public Utilities Program:			
Cases Filed.....	540	609	729
Cases Resolved .....	636	701	782
Transportation Regulatory Program:			
Investigations .....	1,247	1,273	1,273
Track Inspections (miles) .....	3,066	3,807	2,819

EXECUTIVE DIRECTOR
During Examination Period: Cholly Smith
Currently: Cholly Smith

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE CONTROL OVER ACCOUNTS RECEIVABLE**

The Commission lacked adequate control over its accounts receivable. As of June 30, 2017, the Commission reported accounts receivable of \$13.439 million (reported net of estimated uncollectible accounts, totaling \$6.399 million) to the Office of the State Comptroller.

#### ***Inadequate Collection Attempts***

During testing, we noted the Commission did not make adequate collection attempts on 60 of 60 (100%) accounts receivable tested. We noted the following:

#### **Accounts receivable not referred to the Debt Collection Bureau**

- 60 (100%) of the tested accounts, totaling \$1,604,756, were not referred to the Department of Revenue's Debt Collection Bureau.

#### **Accounts receivable not referred to the Comptroller's Offset System**

- 44 (73%) of the tested accounts, totaling \$1,599,658, were not referred to the State Comptroller's Offset System.

#### **Uncollectible accounts not referred for write-off to the Attorney General**

#### ***Uncollectible Accounts Not Referred for Write-Off***

During testing of 60 accounts receivable, we noted 22 (37%) tested accounts appeared to be uncollectible; however, the Commission had not referred these accounts to the Office of the Attorney General for certification the debt was uncollectible.

#### **Internal procedures conflict with State Law**

#### ***Internal Procedures Conflict with State Law***

During testing, we noted § 5(B)(2) of the Commission's internal procedures conflict with the Illinois State Collection Act of 1986 (30 ILCS 210/5(c-1)) and the Statewide Accounting Management System (Procedure 26.40.20). (Finding 1, pages 11-12) **This finding has been repeated since 2013.**

We recommended the Commission pursue all reasonable and appropriate measures to collect on outstanding debts as required by State laws and regulations and report uncollectible accounts to the Attorney General. We also recommended the Commission ensure its internal procedures comport with State law.

#### **Commission officials agree**

Commission officials agreed with the finding and stated the Fiscal section will assign staff to pursue the referral and reporting issues related to accounts receivable and will update internal policies to comport with State Law. (*For the previous Commission response, see Digest Footnote #1.*)

### **REGULATIONS NOT UPDATED TO AGREE WITH THE PUBLIC UTILITIES ACT**

The Commission failed to update, and therefore followed a rule which conflicted with the Public Utilities Act (Act).

**Commission’s rule does not agree with the statute**

During testing of electric transmission and distribution reliability requirements within the Act, we noted the Commission’s rule codified within the Illinois Administrative Code (Code) requires the maintenance of service records for each interruption affecting 10 or more customers or power fluctuations affecting 30,000 or more customers for public utilities with 1,000,000 or more customers. The Commission’s rule was originally adopted in 1998 and then amended in 2000.

The Act requires the Commission to establish a rule requiring the maintenance of service records with detailed information on each instance of (a) power loss, (b) transmission of power at less than 50% of the standard voltage, or (c) power fluctuation or surge which causes damage and affects more than either 30,000 or 0.8% of the total customers, whichever is less, not due to (1) unpreventable damage due to weather events or conditions, (2) customer tampering, (3) unpreventable damage due to civil or international unrest or animals, or (4) damage to utility equipment or other actions by a party other than the utility, its employees, its agents, or its contractors. Further, the Act specifies the requirements within § 16-125 only applies to those electric utilities with 100,000 or more customers. The Act was amended in 2009 in regards to the number of customers.

**Error impacts one large utility’s maintenance of records required by State law**

In considering the impact of this condition, we reviewed the annual *Comparison of Electric Sales and Statistics* reports prepared by the Commission’s Public Utilities Bureau from Calendar Year 2015 through Calendar Year 2017. While the population of public electric utilities with 100,000 or more customers was the same as the population of public electric utilities with 1,000,000 or more customers, one large downstate electric utility would be required to maintain service records with detailed information for each power fluctuation or surge which causes damage and affects more than approximately 9,775 customers if the Commission followed the Act as opposed to its adopted rule within the Code. (Finding 2, pages 13-14)

We recommended the Commission work with the Joint Committee on Administrative Rules and the Secretary of State to amend its rule to comport with the requirements of the Act.

**Commission officials agree**

Commission officials agreed with the finding.

**INADEQUATE CONTROL OVER STATE VEHICLES**

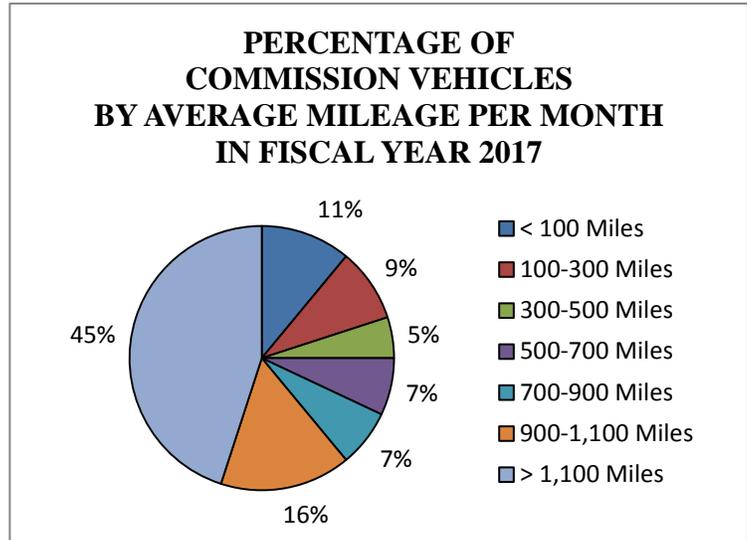
The Commission did not exercise adequate internal control over its automobiles. As of June 30, 2017, the Commission had 45 vehicles, which included one brand new vehicle purchased in June 2017.

During testing, we noted the following:

**Cost effectiveness analysis not performed on automobiles**

- The Commission has not performed an analysis of its automobiles to determine whether maintaining each vehicle can be justified as the most cost effective solution for the specific operational needs of the Commission. We

analyzed the total activity of the Commission’s 44 vehicles in use during the year ended June 30, 2017. We did not analyze Fiscal Year 2016 activity because of reduced usage attributable to the State’s budget impasse. During Fiscal Year 2017, the Commission’s vehicles traveled between 0 and 24,945 miles, with the following chart showing the average monthly utilization for each vehicle during the period:



Further, we noted the following apparently underutilized vehicles during the period:

Division	Type	Total Vehicle Mileage	Fiscal Year 2017 Mileage
Police	2009 Chevrolet Impala	92,110	0
Police	2009 Chevrolet Impala	63,418	0
Police	2008 Ford Crown Victoria	88,756	353
Police	2008 Ford Crown Victoria	82,855	397
Pool	2006 Ford Taurus	105,106	963
Police	2006 Dodge Charger	87,437	2,059
Pool	2006 Ford Taurus	125,970	2,111
Railroad	2005 Ford Explorer	87,658	2,366
Police	2009 Chevrolet Impala	76,051	2,711

- The Commission did not ensure employees with individually-assigned vehicles completed the annual licensure and insurance certifications during Fiscal Year 2017. We noted the following:

**Annual licensure and insurance certifications filed late**

- Fourteen of 66 (21%) employees tested filed their certifications between 29 and 73 days late.

**Annual licensure and insurance certifications not submitted**

- Three of 66 (5%) employees tested did not have their certification on file at the Commission.

**Accident involving State vehicle not reported timely**

- One of 7 (14%) vehicle accidents tested was not reported timely to the Auto Liability Unit at the Department of Central Management Services (CMS). We noted this incident's *Illinois Motorist Report* (Form SR-1) was submitted 28 days late. (Finding 3, pages 15-18)

We recommended the Commission perform an analysis of its automobiles to determine whether each vehicle can be justified as the most cost effective solution for the Commission's specific operational needs. Further, we recommended the Commission properly document that its employees are duly licensed and insured and accident reports are timely filed with CMS as required by State law.

**Commission officials agree**

Commission officials agreed with the finding.

**OTHER FINDINGS**

The remaining findings pertain to inadequate control over grade crossing mitigation grants, failure to provide proper notification of the impending expiration of licenses and recovery permits, and inadequate control over timekeeping. We will review the Commission's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

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

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

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM: APA

## **DIGEST FOOTNOTES**

### **#1 – Inadequate Control over Accounts Receivable – Previous Commission Response**

2015: The Commission agrees with the finding. The Commission will resume monthly reporting requirements to the Department of Revenue's Debt Collection Bureau. The section that handles the referrals of accounts receivable is comprised of new employees. The Commission will evaluate workload of current staff and determine when these additional duties can be assigned.