



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

LEGISLATIVE REFERENCE BUREAU

Compliance Examination
 For the Two Years Ended June 30, 2019

Release Date: January 22, 2020

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	0	3	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	4	0	4				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse opinion** on the Bureau’s compliance with the assertions which comprise a State Compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

SYNOPSIS

- (19-01) The Bureau did not maintain adequate segregation of duties in the areas of expenditure control, payroll, and receipts control.
- (19-02) The Bureau did not maintain adequate internal controls over receipts processing.
- (19-03) The Bureau did not have adequate controls over approving vouchers for payment or performing monthly reconciliations of its appropriations, cash receipts, contracts, and obligation activity.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures have been excluded due to the adverse opinion.}

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE SEGREGATION OF DUTIES

Failure to establish segregation of duties over expenditure, receipts, and payroll transactions

The Legislative Reference Bureau (Bureau) did not maintain adequate segregation of duties in the areas of expenditure control, payroll, and receipts control.

During testing, we noted the following segregation of duties weaknesses during Fiscal Years 2018 and 2019:

One employee had approval, recording, and custody authorizations

- One employee had the authority to prepare and approve vouchers, maintain accounting records, enter transactions into the accounting system, and perform monthly reconciliations.
- One employee had the authority to prepare payroll, make adjustments to payroll, approve payroll, and distribute payroll checks.
- One employee had the authority to receive revenues, make deposits and maintain the cash receipts listing. (Finding 1, pages 9-10)

We recommended the Bureau allocate sufficient personnel in order to maintain effective internal control over the authorization, custody and record keeping over expenditures, payroll, and receipts.

Bureau accepted the finding

Bureau officials accepted the finding and noted that it appointed a new Acting Fiscal Officer, restoring adequate segregation of duties.

INADEQUATE CONTROLS OVER RECEIPT PROCESSING

Failure to keep detailed records of receipts

The Bureau did not maintain adequate internal controls over receipts.

During testing, we noted the Bureau did not keep details of all receipts during Fiscal Years 2018 and 2019 showing the receipt date, the payer, purpose, and amount; therefore, the Bureau was unable to provide adequate records substantiating the population of receipts collected during the examination period. Due to these conditions, we were unable to conclude whether the Bureau's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Bureau's compliance relative to receipts.

Even given the population limitations noted above, which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed the following tests:

- During Fiscal Year 2019, the Bureau failed to deposit receipts for 5 subscriptions of the Legislative Synopsis & Digest. Each subscription fee is \$55 for a total of \$275.
- Three of 3 (100%) treasurer drafts tested were not remitted timely to the Office of the Comptroller (Comptroller) for deposit into the State Treasury. The drafts were lost and replacement drafts were remitted to the Comptroller between 490 to 516 days from the date of deposit. (Finding 2, pages 11-12)

Receipts were not timely deposited in the State Treasury

We recommended the Bureau develop and maintain internal control over its receipts to ensure the timely collection and depositing of revenues, along with ensuring adequate documentation is maintained and readily available for all transactions. In addition, we recommended the Bureau should establish adequate records capable of providing detailed transactions and balance listings, which are timely reconciled to the State Comptroller's records.

Bureau accepted the finding

Board officials accepted the finding and noted it assigned the responsibility for receipts processing and related functions outlined in the finding to the newly appointed Acting Fiscal Officer, restoring the required controls.

INADEQUATE CONTROLS OVER EXPENDITURES AND MONTHLY RECONCILIATIONS

The Legislative Reference Bureau (Bureau) did not have adequate controls over approving vouchers for payment or performing monthly reconciliations of its appropriations, cash receipts, contracts, and obligation activity.

Specifically, we noted the following:

- For 16 out of 60 (27%) vouchers selected for testing, totaling \$21,795, the Bureau approved the expenditures for payment between 5 to 657 days after the 30 day requirement of the Illinois Administrative Code (74 Ill. Admin. Code 900.70).
- All Fiscal Year 2018 Monthly Appropriation Status Reports (SB01) reconciliations were not completed by the Bureau.

Expenditures were approved 5 to 657 days late

Expenditure, Receipt, Contracts, and Obligations reconciliations were not performed or documentation was not kept regarding when they were performed

- All Fiscal Year 2019 SB01 reconciliations tested did not document the dates the reconciliations were performed, as well as who prepared or reviewed the reconciliations. Accordingly, we could not determine if the SB01 reconciliations were performed or reviewed timely by the appropriate individuals.
- All Fiscal Year 2018 and 2019 reconciliations of the Monthly Revenue Status Report (SB04), Monthly Agency Contract Report (SC14), and Monthly Obligation Activity Report (SC15) were not completed by the Bureau. (Finding 3, pages 13-14)

We recommended the Bureau timely approve vouchers and perform appropriation, cash receipts, contracts, and obligations reconciliations in accordance with the SAMS Manual and document review by management on all financial records.

Bureau accepted the finding

Bureau officials accepted the finding and noted it assigned the responsibility for the preparation of vouchers, monthly appropriation status reports, monthly reconciliations, and other financial records to the Bureau's newly appointed Acting Fiscal Officer, restoring the required controls and ensuring timely processing of vouchers.

OTHER FINDINGS

The remaining finding pertains to the untimely submission of and errors on required filings. We will review the Bureau's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Bureau for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. Because of the effect of noncompliance described in Findings 2019-001 through 2019-003, the accountants stated the Bureau did not materially comply with the requirements described in the report.

This compliance examination was conducted by West & Company, LLC.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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