

**State of Illinois
Department of Innovation
and Technology
Technology Management
Revolving Fund (Fund 304)**

FINANCIAL AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2024**

**PERFORMED AS SPECIAL
ASSISTANT AUDITORS FOR THE
AUDITOR GENERAL,
STATE OF ILLINOIS**

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

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**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

DEPARTMENT OFFICIALS

Secretary (Acting) (3/21/25 - Present)	Brandon Ragle
Secretary (5/24/24 – 3/20/25)	Sanjay Gupta
Secretary (Acting) (7/1/23 - 5/23/24)	Sanjay Gupta
Deputy Secretary (3/21/25 – Present)	Vacant
Deputy Secretary (5/24/24 – 3/20/25)	Brandon Ragle
Deputy Secretary (Acting) (7/1/23 - 5/23/24)	Brandon Ragle
Assistant Secretary	Vacant
Chief Administrative Officer	Albert Coll
Chief of Staff	Jenifer Johnson
Chief Fiscal Officer	Mary Feagans
General Counsel (12/1/23 – Present)	Radhika Lakhani
General Counsel (7/1/23 - 11/30/23)	Margaret Van Dijk
Chief Internal Auditor	John Valtierra

DEPARTMENT OFFICE

The Department of Innovation and Technology’s primary administrative office is located at:

120 West Jefferson Street
Springfield, Illinois 62702

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying individual nonshared proprietary fund financial statements of the Technology Management Revolving Fund of the Department of Innovation and Technology (Department) was performed by Roth and Company, LLP.

Based on their audit, the auditors expressed unmodified opinion on the Department's individual nonshared proprietary fund financial statements of the Technology Management Revolving Fund.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	4
Repeated Findings	1	NA*
Prior Recommendations Implemented or Not Repeated	3	NA*

*The prior year audit was the first Financial Audit of the Department of Innovation and Technology.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2024-001	25	2024/2023	Inadequate Review of Telecommunication Billing Rates	Significant Deficiency
Prior Findings Not Repeated				
A	27	2023/2023	Weaknesses in Accounting and Financial Reporting	
B	27	2023/2023	Inadequate Controls Over the Implementation of New Standard	
C	27	2023/2023	Inaccurate Property Records and Capital Assets Reporting	

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
FINANCIAL AUDIT
For the Year Ended June 30, 2024**

EXIT CONFERENCE

The finding and recommendation appearing in this report was discussed with Department personnel at an exit conference on April 8, 2025.

Attending were:

Department of Innovation and Technology

Brandon Ragle, Acting Secretary

Jenifer Johnson, Chief of Staff

Radhika Lakhani, General Counsel

Mary Feagans, Chief Fiscal Officer

John Valtierra, Chief Internal Auditor

Office of the Auditor General

Quentin Kuntzman, Senior Audit Manager

Roth & Company, LLP

Elda Arriola, Partner

Lou Jonathan Cabrera, Manager

Derrick Separo, Senior

The response to the recommendation was provided by Kelly Guerrero, Internal Auditor, in a correspondence dated April 14, 2025.



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Technology Management Revolving Fund (Fund 304) of the State of Illinois, Department of Innovation and Technology (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Technology Management Revolving Fund (Fund 304) of the Department, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Technology Management Revolving Fund and do not purport to, and do not, present fairly the financial position of either the State of Illinois or the Department as of June 30, 2024, the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Management has omitted the management's discussion and analysis, pension, and other post-employment benefit (OPEB) related information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements of the Technology Management Revolving Fund (Fund 304). Such missing information, although not a part of the financial statements of the Technology Management Revolving Fund (Fund 304), is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements of the Technology Management Revolving Fund (Fund 304) is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Department officials page but does not include the financial statements of the Technology Management Revolving Fund (Fund 304) and our auditor's report thereon. Our opinion on the financial statements of the Technology Management Revolving Fund (Fund 304) does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements of the Technology Management Revolving Fund (Fund 304), our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements of the Technology Management Revolving Fund (Fund 304), or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2025, on our consideration of the Department's internal control over financial reporting of the Technology Management Revolving Fund (Fund 304) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and the Department's management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 16, 2025



STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
FUND 304 - TECHNOLOGY MANAGEMENT REVOLVING FUND
INDIVIDUAL NONSHARED PROPRIETARY FUND

STATEMENT OF NET POSITION

June 30, 2024

(amounts in thousands)

	Technology Management Revolving Fund (304 Fund)
ASSETS	
Current assets	
Cash and cash equivalents	\$ 17,379
Due from federal government	129
Due from local government, net	744
Other receivables, net	626
Due from other funds	146,847
Due from component unit	698
Lease receivable, current	120
Total current assets	<u>166,543</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	301,780
Lease receivable, long-term	460
Total noncurrent assets	<u>302,240</u>
TOTAL ASSETS	<u>468,783</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	242,179
Due to federal government	9,289
Due to local government	107
Due to other funds	24,672
Due to component units	14
Unearned revenue	86
Leases payable, current	79
Compensated absences, current	987
Subscription-based information technology arrangement payable, current	55,689
Total current liabilities	<u>333,102</u>
Noncurrent liabilities	
Leases payable, long-term	118
Compensated absences, long-term	13,003
Subscription-based information technology arrangement payable, long-term	72,460
Total noncurrent liabilities	<u>85,581</u>
TOTAL LIABILITIES	<u>418,683</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on leases	4,099
Total deferred inflows of resources	<u>4,099</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>422,782</u>
NET POSITION	
Net investment in capital assets	173,434
Unrestricted (deficit)	<u>(127,433)</u>
TOTAL NET POSITION	<u>\$ 46,001</u>

See accompanying notes to financial statements.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
FUND 304 - TECHNOLOGY MANAGEMENT REVOLVING FUND
INDIVIDUAL NONSHARED PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2024
(amounts in thousands)**

	Technology Management Revolving Fund (304 Fund)
OPERATING REVENUES	
Charges for sales and services	\$ 537,505
Total operating revenues	<u>537,505</u>
OPERATING EXPENSES	
Cost of sales and services	595,950
Depreciation and amortization	143,563
Total operating expenses	<u>739,513</u>
OPERATING LOSS	<u>(202,008)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	31
Other nonoperating revenues	1,762
Interest expense	(16,300)
Other nonoperating expenses	(40)
Total nonoperating revenues (expenses)	<u>(14,547)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(216,555)
Contributions of capital assets	14
Transfers-in	<u>100,000</u>
CHANGE IN NET POSITION	<u>(116,541)</u>
NET POSITION, BEGINNING OF YEAR	162,542
NET POSITION, END OF YEAR	<u><u>\$ 46,001</u></u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
FUND 304 - TECHNOLOGY MANAGEMENT REVOLVING FUND
INDIVIDUAL NONSHARED PROPRIETARY FUND

STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
(amounts in thousands)

	Technology Management Revolving Fund (304 Fund)
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services	\$ 10,018
Cash received from transactions with other funds	567,062
Cash payments to suppliers for goods and services	(287,608)
Cash payments to employees for services	(231,024)
Net cash provided by operating activities	<u>58,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY	
Transfers-in from other funds	100,000
Net cash provided by noncapital financing activity	<u>100,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(38,855)
Principal paid on capital debt	(113,930)
Interest paid on capital debt	(3,621)
Other capital and related financing activities	447
Net cash used in capital and related financing activities	<u>(155,959)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,489
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,890</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 17,379</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (202,008)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation/amortization	143,563
Accretion	(372)
Change in assets and liabilities	
(Increase) in accounts receivable	(101)
Decrease in intergovernmental receivables	145
Decrease in due from other funds	18,194
(Increase) in due from component units	(178)
Increase in accounts payable and accrued liabilities	86,882
Increase in intergovernmental payables	999
Increase in due to other funds	9,232
(Decrease) in unearned revenues	(9)
Increase in other liabilities	2,101
Net cash provided by operating activities	<u><u>\$ 58,448</u></u>
Noncash investing, capital, and financing activities	
Cost of capital asset acquisitions financed by capital leases	\$ 66
(Loss) on disposal of capital assets	(13)
Transfer of assets/liabilities from (to) other state funds	(249)
Cost of capital asset acquisitions financed by SBITAs	177,407

See accompanying notes to financial statements.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

1. Description of Fund

The State of Illinois, Department of Innovation and Technology (Department) administers the nonshared proprietary fund – Technology Management Revolving Fund. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Technology Management Revolving Fund held by the State Treasurer consists of costs associated with data processing, information services, local and long-distance voice, data communications, radio, directory information, operator assistance, and equipment and equipment repair services to other State of Illinois agencies as well as other units of government. Costs are financed through this internal service fund, which bills customers directly for services provided.

2. Summary of Significant Accounting Policies

The financial statements of the individual nonshared proprietary fund (the Fund) administered by the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Reporting Entity: As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the required criteria, the individual nonshared proprietary fund does not have component units, nor is it a component unit of any other entity. However, because the individual nonshared proprietary fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a proprietary fund. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the Illinois Office of Comptroller's Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871, or accessing its website at www.illinoiscomptroller.gov.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

The financial statements present only the Technology Management Revolving Fund (304) administered by the Illinois Department of Innovation and Technology and do not purport to, and do not, present fairly the financial position of the Illinois Department of Innovation and Technology as of June 30, 2024, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation: In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows have been presented for the individual nonshared proprietary fund administered by the Department.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of Accounting: The individual nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and entitlements. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents: Cash and cash equivalents consist of deposits held in the State Treasury, cash on hand, and cash in-transit.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

Interfund Transactions: The individual nonshared proprietary fund has the following types of interfund transactions with other funds of the State:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services Provided and Used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund statement of net position.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

Capital Assets: Capital assets, which include property, plant and equipment, and intangible assets, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Right-to-use lease assets and subscription-based information technology arrangements (SBITAs) are recorded at cost based on the present value of expected payments over the lease or SBITA term plus any payments made to the lessor at or before the commencement of the lease or SBITA term and certain direct costs that are ancillary charges necessary to place the asset into service. Capital assets, right-to-use lease assets, and SBITAs are depreciated and amortized using the straight-line method over the following estimated useful lives or over the lease or SBITA term. Intangible assets (internally generated computer software) are assets that do not have a physical existence, are non-financial in nature, are not in a monetary form, and have a useful life of over one year.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	\$ 100,000	n/a
Land improvements	25,000	n/a
Site improvements	25,000	3-50 years
Buildings	100,000	10-60 years
Building improvements	25,000	10-45 years
Equipment	5,000	3-25 years
Intangible (internally generated computer software)	1,000,000	20 years
Right-to-use-lease assets	25,000	Lease Term
SBITAs	25,000	SBITA Term

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Fund had no deferred outflows in Fiscal Year 2024.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has one item that qualifies for reporting in this category, amounts related lessor lease activity related to GASB 87 (note 7).

Compensated Absences: The liability for compensated absences reported in the individual nonshared proprietary fund consists of unpaid, accumulated vacation and sick leave balances for Department employees. The liability has been calculated using the vesting method, in which leave amounts for employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax).

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue 12 sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

Pension Plan: The vested full-time employees paid from the Fund may participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for Fiscal Year 2024 are included in the State of Illinois' Annual Comprehensive Financial Report for the year ended June 30, 2024. The SERS issues a separate Annual Comprehensive Financial Report that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794 or online at <http://www.auditor.illinois.gov/Audit-Reports/STATE-EMPLOYEES-RETIREMENT-SYSTEM.asp>.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' Annual Comprehensive Financial Report. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Fund pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For Fiscal Year 2024, the employer contribution rate was 52.657%.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, the State has reported a pension liability and related deferred inflows and outflows, as a single-employer plan, in the State of Illinois Annual Comprehensive Financial Report. The State has not allocated a pension liability or related deferred inflows and outflows to the Fund.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits: The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State, allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The financial position and results of operation of the State's portion of health, dental, vision and life insurance benefits of all members, including post-employment health, dental, vision and life insurance benefits, is reported in the State of Illinois Annual Comprehensive Financial Report. The State finances the costs on a pay-a-you-go basis.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706 or online at <http://www.auditor.illinois.gov/Audit-Reports/CENTRAL-MANAGEMENT-SERVICES-DEPARTMENT.asp>.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, the State has reported an Other Postemployment Benefit (OPEB) liability and related deferred inflows and outflows, as a single-employer plan, in the State of Illinois Annual Comprehensive Financial Report. The State has not allocated an OPEB liability or related deferred inflows and outflows to the Fund.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

2. Summary of Significant Accounting Policies (Continued)

Net Position: Equity is displayed in two components as follows:

Net Investment in Capital Assets - this consists of capital assets, net of accumulated depreciation and related debt.

Unrestricted - this is the amount that does not meet the definition of “net investment in capital assets” or “restricted” which consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Although the Fund reports unrestricted net position, it is to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and is to remain in the Fund.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury.

Deposits in the custody of the State Treasurer (or on hand or in transit) at June 30, 2024, were \$17,379 thousand. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11).

Funds held by the State Treasurer have not been categorized as credit risk because the Fund does not own individual securities. Details on the nature of these investments are available within the State of Illinois’ Annual Comprehensive Financial Report.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

4. Other Receivables

Other receivables (amounts in \$000s) at June 30, 2024 are as follows:

Due from federal	\$ 129
Due from local	762
Less: Allowance for uncollectible due from other governments	(18)
Intergovernmental receivables, net	<u>\$ 873</u>
Other receivables	\$ 670
Less: Allowance for uncollectible other receivables	(44)
Other receivables, net	<u>\$ 626</u>

5. Balances Due From and Due To

Balances Due From and Due To Other Funds and Component Units: The Department provides statewide information technology and telecommunication services, which are charged to other State agencies and component units. Likewise, the Department is charged for facility services, health insurance, central processing services, and grant accountability services it receives from other agencies. The following balances at June 30, 2024, represent amounts due from and due to other agency, State of Illinois funds and Component Units (amounts in \$000s):

	<u>Due from</u>	<u>Due to</u>
Other funds	\$ 146,847	\$ 24,672
Component units	698	14
	<u>\$ 147,545</u>	<u>\$ 24,686</u>

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

6. Capital Assets

Capital asset activities for the year ended June 30, 2024, were as follows (amounts in \$000s):

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets not being depreciated					
Internally generally software in progress	\$ 18,377	\$ 2,247	\$ -	\$ (2,865)	\$ 17,759
Total capital assets not being depreciated	18,377	2,247	-	(2,865)	17,759
Capital Assets being depreciated					
Buildings and building improvements	1,089	-	-	-	1,089
Leases-buildings	1,656	-	1,362	-	294
Equipment	163,039	26,101	15,509	(80)	173,551
Leases-equipment	165	-	139	-	26
Infrastructure	59,952	-	-	-	59,952
Internally generated software	100,678	-	-	2,865	103,543
SBITAs	133,328	177,407	77,569	(280)	232,886
Leases - other	601	66	-	-	667
Fiber optics rights	3,881	-	-	-	3,881
Total capital assets being depreciated	464,389	203,574	94,579	2,505	575,889
Less: Accumulated depreciation for buildings and building improvements	908	26	-	-	934
Leases - buildings	849	675	1,362	-	162
Equipment	120,913	28,994	15,496	(72)	134,339
Leases - equipment	118	41	139	-	20
Infrastructure	28,641	2,995	-	-	31,636
Internally generated software	34,256	10,569	-	-	44,825
SBITAs	53,648	100,079	77,569	(39)	76,119
Leases - other	195	110	-	-	305
Fiber optic rights	3,454	74	-	-	3,528
Total accumulated depreciation	242,982	143,563	94,566	(111)	291,868
Total capital assets being depreciated, net	221,407	60,011	13	2,616	284,021
Capital assets, net	\$ 239,784	\$ 65,258	\$ 13	\$ (249)	\$ 301,780

Depreciation expense for the year ended June 30, 2024 was \$143,563.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

7. Leases

The Department has entered into various leases for building facilities, equipment, and other right-to-use assets with remaining lease terms ranging from less than one year to eight years. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-to-use asset or lease liability balance until they are reasonably certain of exercise.

At June 30, 2024, right-to-use assets under leases (amounts in \$000s) are as follows:

	<u>Amount</u>
Buildings and building improvements	\$ 294
Equipment	26
Other	<u>667</u>
Total right-to-use lease assets	987
Less: Accumulated amortization	<u>487</u>
Net lease book value	<u>\$ 500</u>

Future minimum commitments (amounts in \$000s) for non-cancelable leases as of June 30, 2024, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 79	\$ 5
2026	43	3
2027	24	2
2028	25	1
2029	11	1
2030 - 2034	15	1
Total minimum lease payments	<u>\$ 197</u>	<u>\$ 13</u>

The Department leases dark fiber to various third parties. These lessor agreements have terms ranging from less than one year to 20 years. Some agreements have upfront indefeasible right-of-use (IRU) payments, and others have fixed monthly amounts with certain variable payments not included in the measurement of the lease receivable. For those agreements with upfront IRU payments, the Department recognized deferred inflows of resources, representing an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources for the year ended June 30, 2024 was \$4,099.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

8. Subscription-Based Information Technology Arrangements (SBITAs)

The Department has entered into various SBITAs with remaining contract terms ranging from one to seven years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriation by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise.

At June 30, 2024, the Department had no commitments under subscriptions prior to the commencement of the subscription term.

At June 30, 2024, subscription assets under SBITAs are as follows (amounts in \$000s):

	Amount
Subscription assets	\$ 232,886
Less: Accumulated amortization	76,119
Net SBITA book value	<u>\$ 156,767</u>

Future minimum commitments for non-cancelable SBITAs as of June 30, 2024, are as follows (amounts in \$000s):

Year Ending June 30	Principal	Interest
2025	\$ 55,689	\$ 5,447
2026	51,063	3,006
2027	10,300	823
2028	9,771	386
2029	1,326	14
Total minimum SBITA payments	<u>\$ 128,149</u>	<u>\$ 9,676</u>

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

9. Long-Term Obligations

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2024, were as follows (amounts in \$000s):

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Leases payable	\$ 840	\$ 65	\$ 708	\$ 197	\$ 79
Compensated absences	11,889	15,382	13,281	13,990	987
SBITAs	65,523	175,848	113,222	128,149	55,689
Total	<u>\$ 78,252</u>	<u>\$ 191,295</u>	<u>\$ 127,211</u>	<u>\$ 142,336</u>	<u>\$ 56,755</u>

10. Contingencies

The Department is involved in a number of legal proceedings and claims covering a wide range of matters. The ultimate results of these lawsuits and other proceedings against the Department cannot be predicted with certainty; however, the Department does not expect such matters to have a material effect on the financial position of Technology Management Revolving Fund.

11. Subsequent Event

The Department is not aware of any facts, decisions, or conditions that might be expected to have a significant impact on the financial position or results of operations during this and future fiscal years.



INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Technology Management Revolving Fund (Fund 304) of the State of Illinois, Department of Innovation and Information Technology (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the financial statements, and we have issued our report thereon dated April 16, 2025.

Report on Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting of the Technology Management Revolving Fund (internal control).

In planning and performing our audit of the financial statements, we considered the Department's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's Technology Management Revolving Fund (Fund 304) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Restricted Use of this Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and the Department's management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 16, 2025



**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS FINDING*
For the Year Ended June 30, 2024**

2024-001. **FINDING** (Inadequate Review of Telecommunication Billing Rates)

The Department of Innovation and Technology (Department) did not review the billing rates utilized to bill agencies for telecommunication services.

During testing, we noted the Department adds an administrative mark up to the telecommunication rate; however, we noted the Department had not developed a methodology to determine the administrative mark up.

During the prior audit period, there were unreconciled differences in the accounts receivable confirmations received from State agencies, and this finding was described as *Inadequate Review of Billing Rates and Accounts Receivable*. During the current audit period, we did not identify any unreconciled differences in the accounts receivable confirmations received from State agencies; therefore, the finding description was revised to pertain only to *Inadequate Review of Telecommunication Billing Rates*.

Concepts Statement No. 1 of the Governmental Accounting Standards Board (Concepts Statement No. 1) (paragraphs 45-46), *Objectives of Financial Reporting*, states that cost-of-services information, that is measuring the cost of services and resource outflows, is useful for public policy decisions. Additionally, Concepts Statement No. 1 (paragraph 32), states that complete and accurate financial statements are necessary to enable the Department to inform its economic, social, and political decision making and other users in assessing the financial condition and results of operations of Fund 304.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide that obligations and costs are in compliance with applicable law and revenues, expenditures, and transfers of assets, resources, or funds applicable to operations 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.

Department management indicated the methodology had not been sufficiently documented due to lack of staff.

Failure to establish a methodology for determining administrative mark up to the telecommunication rates may cause the Department to under or over charge agencies for the usage of their services. (Finding Code No. 2024-001, 2023-004)

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS FINDING*
For the Year Ended June 30, 2024**

2024-001. **FINDING** (Inadequate Review of Telecommunication Billing Rates) – Continued

RECOMMENDATION

We recommend the Department develop a methodology for determining the administrative markup.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will review its existing methodology to better document the administrative mark up for telecommunications.

**STATE OF ILLINOIS
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TECHNOLOGY MANAGEMENT REVOLVING FUND (FUND 304)
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2024**

A. **FINDING** (Weaknesses in Accounting and Financial Reporting)

During the prior audit period, the Illinois Department of Innovation and Technology (Department) did not ensure all transactions impacting the Technology Management Revolving Fund (Fund 304) were appropriately recorded in its internal accounting records and presented fairly in its financial statements.

During the current audit period, we did not note any significant financial reporting errors in the Department's Fund 304 financial statements. (Finding Code No. 2023-001)

B. **FINDING** (Inadequate Controls Over the Implementation of New Standard)

During the prior audit period, the Department failed to exercise adequate controls to ensure the new standard, GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, was properly implemented.

During the current audit period, our testing disclosed the Department properly identified subscription-based information technology arrangement contracts and accurately calculated and recorded subscription assets and liabilities in accordance with GASB Statement No. 96. (Finding Code No. 2023-002)

C. **FINDING** (Inadequate Property Records and Capital Assets Reporting)

During the prior audit period, the Department failed to maintain adequate property records and ensure capital assets balance was accurately reported in its financial statements.

During the current audit period, our testing disclosed the Department properly recorded its inventory of property and accurately reported capital assets information in its financial statements. (Finding Code No. 2023-003)