



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS ARTS COUNCIL

State Compliance Examination
For the Two Years Ended June 30, 2021

Release Date: June 1, 2022

FINDINGS THIS AUDIT: 7			AGING SCHEDULE OF REPEATED FINDINGS				
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2019		21-02	
Category 2:	5	2	7	2007		21-01	
Category 3:	0	0	0				
TOTAL	5	2	7				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

The Illinois Arts Council (Council) was created through the Arts Council Act (20 ILCS 3915). The Council is governed by 21 private citizens from throughout Illinois, chosen for their commitment to the arts and are appointed by the Governor. The members serve in a voluntary, non-paid capacity and are responsible for developing the State's public arts policy, fostering culturally diverse quality programs, and approving grant expenditures. The functions of the Council are directed by the Council's mission statement: "to build a strong, creative, and connected Illinois through the arts." The Council received funds through the State of Illinois General Revenue Fund appropriations and federal grants from the National Endowment for the Arts.

SYNOPSIS

- (21-01) The Council did not draft or adopt formal agency rules, including related to grant procedures.
- (21-02) The Council did not perform monthly obligation and contract reconciliations.
- (21-06) The Council did not obtain or conduct timely independent internal control reviews over its service providers.

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.

ILLINOIS ARTS COUNCIL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021

EXPENDITURE STATISTICS	2021	2020	2019
Total Expenditures.....	\$ 14,545,411	\$ 13,570,890	\$ 13,473,528
OPERATIONS TOTAL.....	\$ 1,782,062	\$ 1,371,543	\$ 1,288,398
% of Total Expenditures.....	12%	10%	10%
Personal Services.....	1,073,801	1,014,057	1,045,962
Other Payroll Costs (FICA, Retirement).....	78,585	74,034	76,439
All Other Operating Expenditures.....	629,676	283,452	165,997
AWARDS AND GRANTS.....	\$ 11,324,695	\$ 11,326,400	\$ 11,325,497
% of Total Expenditures.....	78%	84%	84%
PERMANENT IMPROVEMENTS.....	\$ 1,438,654	\$ 872,947	\$ 859,633
% of Total Expenditures.....	10%	6%	6%
Total Receipts.....	\$ 1,034,900	\$ 1,425,600	\$ 939,800
Average Number of Employees.....	14	13	13

EXECUTIVE DIRECTOR

During Examination Period: Joshua Davis-Ruperto
Currently: Joshua Davis-Ruperto

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO ADOPT FORMAL RULS FOR THE AGENCY AND GRANT PROCEDURES

Failure to adopt Council rules

The Council did not draft or adopt formal agency rules, including rules relating to grant procedures. Grant expenditures were \$12,732,440 and \$12,168,900 for Fiscal Years 2021 and 2020, respectively. (Finding 1, page 9) **This finding has been repeated since 2007.**

We recommended the Council draft organizational rules and grant procedures, and work with the Joint Committee on Administrative Rules for assistance with the formal adoption process.

Council agreed with auditors

The Council agreed with the finding and stated the Council will continue to seek guidance from the Office of the Governor.

MONTHLY RECONCILIATIONS NOT PERFORMED

Failure to perform monthly obligation and contract reconciliations

The Council did not perform monthly obligation and contract reconciliations with the Comptroller's monthly Agency Contract Report (SC14) and monthly Obligation Activity Report (SC15) for Fiscal Year 2020 and 2021. (Finding 2, page 10)

We recommended the Council reconcile its contracts and obligations activity in accordance with the SAMS manual.

Council agreed with auditors

The Council agreed with the finding and stated the Council has established written procedures to ensure monthly obligation and contract reconciliations are being performed.

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS OVER SERVICE PROVIDERS

Failure to provide documentation demonstrating service provider listing was complete and accurate

The Council did not obtain or conduct timely independent internal control reviews over its service provider.

We requested the Council to provide the population of services providers utilized to determine if they had reviewed the internal controls over their service providers. In response to our request, the Council provided a listing; however, they did not provide documentation demonstrating the population was complete and accurate. Due to these conditions, we were unable to conclude the Council's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.35). Even given the

Council had not obtained or reviewed the SOC report

Council did not determine if CUECs were in place

population limitations noted above, we performed testing over the one service provider identified by the Council.

During our testing, we noted the Council had not:

- obtained the System and Organization Control (SOC) report.
- reviewed the SOC report to determine the impact and whether assurance could be obtained that internal controls being relied upon at the service provider were effectively operating.
- determined if Complementary User Entity Controls (CUECs), which should be in place at the Council were.
- obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

The Council is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced. (Finding 6, pages 17-18)

We recommended the Council strengthen its controls in identifying and documenting all service providers utilized. Further, we recommended the Council obtain SOC reports or conduct independent internal control reviews at least annually. In addition, we recommended the Council:

- Monitor and document the operation of the CUECs relevant to the Council's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.

Council agreed with auditors

The Council agreed with the finding and stated the Council will work with DoIT to monitor and document the operation of the CUEC's relevant to the Council's operations.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over State property, equipment, and accounts receivables, weaknesses in cybersecurity, and lack of disaster contingency planning. We will review the Council's progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Council for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants stated the Council complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Adelfia 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

FJM:jgr