STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
Frank J. Mautino, Auditor General

## SUMMARY REPORT DIGEST

# DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

**Release Date: June 9, 2022**

**FINDINGS THIS AUDIT: 16**

| | New | Repeat | Total |
|---|---|---|---|
| **Category 1:** | **1** | **2** | **3** |
| **Category 2:** | 5 | 8 | 13 |
| **Category 3:** | 0 | 0 | 0 |
| **TOTAL** | **6** | **10** | **16** |

**FINDINGS LAST AUDIT: 13**

**AGING SCHEDULE OF REPEATED FINDINGS**

| Repeated Since | Category 1 | Category 2 | Category 3 |
|---|---|---|---|
| 2020 | | **21-3** | |
| 2019 | **21-1, 21-4** | **21-8, 21-11, 21-15** | |
| 2017 | | **21-07** | |
| 2013 | | **21-6, 21-12** | |
| 2006 | | **21-9** | |

## INTRODUCTION

This digest covers the Department of Central Management Services' (Department) compliance examination for the two years ended June 30, 2021. A separate financial audit of the Department, as of and for the year ended June 30, 2021, will be issued in a separate report. In total, this report contains 16 findings, three of which were reported within the Department's financial audit.

## SYNOPSIS

- (**21-4**) The Department entered into interagency agreements that failed to adhere to the provisions of the Fiscal Control and Internal Auditing Act.

- (**21-5**) The Department did not exercise adequate controls over its emergency purchases and real property leases.

| | |
|---|---|
| **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. |

| EXPENDITURE STATISTICS | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Total Expenditures** | **$ 6,363,523,575** | **$ 6,449,292,986** | **$ 6,525,018,745** |
| OPERATIONS TOTAL | $ 6,324,943,917 | $ 6,408,051,246 | $ 6,478,720,951 |
| % of Total Expenditures | 99.4% | 99.4% | 99.3% |
| Personal Services | 65,804,155 | 64,649,573 | 70,156,156 |
| Other Payroll Costs (FICA, Retirement) | 2,341,044,236 | 2,366,109,824 | 2,300,368,379 |
| All Other Operating Expenditures | 3,918,095,526 | 3,977,291,849 | 4,108,196,416 |
| AWARDS AND GRANTS | $ 38,495,273 | $ 41,127,751 | $ 46,246,289 |
| % of Total Expenditures | 0.6% | 0.6% | 0.7% |
| REFUNDS | $ 84,385 | $ 113,989 | $ 51,505 |
| % of Total Expenditures | 0.0% | 0.0% | 0.0% |
| **Total Receipts** | $ 4,256,662,654 | $ 4,504,080,407 | $ 4,213,975,560 |
| **Average Number of Employees** | **720** | **725** | **717** |

| AGENCY DIRECTOR |
|---|
| During Examination Period: Janel Forde (Acting) (7/1/19 - 2/17/20); Janel Forde (effective 2/18/20) |
| Currently: Janel Forde |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### FAILURE TO ADHERE TO THE PROVISIONS OF THE FISCAL CONTROL AND INTERNAL AUDITING ACT

The Department of Central Management Services (Department) entered into interagency agreements that failed to adhere to the provisions of the Fiscal Control and Internal Auditing Act (Act).

During the engagement period, the Department was a party to interagency agreements with the following designated State agencies to provide internal audit services:

- Illinois Department of Agriculture
- Illinois Department of Corrections
- Illinois Department of Financial and Professional Regulation
- Illinois Department of Human Rights
- Illinois Department of Labor
- Illinois Department of Insurance
- Illinois Finance Authority

We noted the following issues with these interagency agreements:

**Agreements resulted in agencies not maintaining their own internal audit function**

- The Illinois Department of Agriculture, the Illinois Department of Financial and Professional Regulation, the Illinois Department of Human Rights and the Illinois Finance Authority did not have a Chief Internal Auditor during the engagement period and strictly relied on the Department to provide internal audit services. The interagency agreements ultimately resulted in these four agencies not maintaining their own full-time internal audit function. Further, these interagency agreements resulted in the Department's Chief Internal Auditor not working full time with the Department's own internal audit function. The Illinois Department of Corrections, the Illinois Department of Labor and the Illinois Department of Insurance utilized internal audit services of the Department during the engagement period, but did appoint their own Chief Internal Auditor. The agreements with the Illinois Department of Labor and the Illinois Department of Insurance were terminated during Fiscal Year 2021.

**Governor's approval not obtained**

- The Department did not obtain the Governor's approval for the Department to provide professional internal auditing services to these State agencies.

**Reimbursement rates were not consistently established**

- The Department inconsistently established reimbursement arrangements for these agreements and did not follow any of the reimbursement arrangements in the interagency agreements. (Finding 4, pages 18-22)

We recommended the Department not enter into interagency agreements which result in agencies and the Department not maintaining their own full-time internal audit function. Additionally, we recommended any other services provided to agencies be done only with the approval of the Governor. Further, we recommended the Department consistently establish and enforce reimbursement arrangements for its interagency agreements.

**Department accepted recommendation**

The Department accepted the finding and recommendation and stated they are in the process of addressing the identified billing issues, which will allow the necessary changes to the provisions of the intergovernmental agreements and become compliant. The Department also stated that as for the issue identified about the Chief Internal Auditor at Central Management Services providing support for other designated state agencies, the Bureau has now trained multiple staff that are close to being qualified to becoming Chief Internal Auditors and, as such, are committed to exploring options that will entice them to consider these positions.

## WEAKNESSES IN EMERGENCY PURCHASES AND REAL PROPERTY LEASE ADMINISTRATION

The Department did not exercise adequate controls over its emergency purchases and real property leases.

During our testing of the Department's emergency procurement contracts during the engagement period, we noted the following issues:

**Emergency purchase not timely published**

- One of 29 (3%) emergency purchases was not published in the online electronic bulletin within five calendar days. The emergency purchase was published four calendar days late. The untimely publication in the online electronic bulletin also resulted in the Chief Procurement Office (CPO) not filing a statement with the Procurement Policy Board and the Auditor General within 10 calendar days after the procurement. The statement was filed six calendar days late.

**Emergency purchase not filed with the Office of Comptroller**

- One of 29 (3%) emergency purchases for a real property lease, totaling $45,478, was not filed with the Office of Comptroller (Comptroller) via a Contract Obligation Document (Form C-23).

**Extension hearing not held**

- The Department continued to make payments to a vendor after one emergency purchase for a real property lease and subsequent three-month extension expired without being granted additional approval through another extension hearing. These payments were not obligated with the Comptroller. Monthly lease payments totaled $20,830; however the Department split the monthly payments, keeping individual payments under $20,000. The lease payments totaled $128,517.

**Month-to-month real property lease payments made without obligations filed with the Office of Comptroller**

- Twelve of 29 (41%) emergency purchases were for month to month payments for real property leases that expired before and/or after an emergency contract was in place, with no contract obligated with the Comptroller. By continuing to make month-to-month payments without a current obligation number, the Department effectively extended the month-to-month lease payments beyond the statutorily allowed duration of time. The leases with month-to-month payments without an obligation filed with the Comptroller had payments totaling $643,704. Additionally, for one of these leases, monthly lease payments totaled $35,280; however, the Department split the monthly payments keeping individual payments under $20,000. These lease payments totaled $105,839.

During our analysis of payments without contract numbers, we noted four real property leases with month-to-month payments totaling $236,953 that did not have obligations filed with the Comptroller. By continuing to make month-to-month payments without an obligation number, the Department effectively extended the month-to-month lease payments beyond the statutorily allowed duration of time instead of making an emergency purchase. (Finding 5, pages 23-25)

We recommended the Department ensure all emergency purchases are timely published in the online electronic bulletin. Additionally, we recommended the Department take steps to ensure all real property leases are filed with the Comptroller and payments on these leases are properly obligated in accordance with SAMS. Lastly, we recommended the Department implement procedures to monitor real property lease terms to avoid exhausting the six month statutorily allowed holdover period without a new lease agreement in place.

The Department accepted the finding and recommendation and stated they will continue to make every effort to ensure compliance with the recommendations and best practices put forth from the Comptroller by utilizing the SAMS manual when completing invoice processing and leasing payments. The Department also stated maintaining a high level of knowledge and expertise with invoicing procedures and payment submissions is critical and with this is mind, new training modules are being developed to ensure understanding and compliance with established procedures. Further, The Department stated Standard Operating Procedures have been drafted outlining the invoice and leases processes and regularly scheduled meetings have been established to enhance the internal control systems, enforce policies, and keep lines of communication open between fiscal staff and the Deputy Director's office, ensuring that the Department is compliant with all fiscal policies and procedures.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by Department personnel. We will review the Department's progress towards the implementation of our recommendations in our next audit/examination.

## AUDITOR'S OPINION

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2021 are fairly stated in all material respects.

## ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Department for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2021-001, 2021-004, and 2021-005. Except for the noncompliance described in these findings, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Sikich LLP.

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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