

**STATE OF ILLINOIS
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**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***

For the Year Ended June 30, 2024

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FINANCIAL AUDIT
For the Year Ended June 30, 2024**

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The annual financial statements of the State of Illinois as of and for the year ended June 30, 2024, have been issued under a separate cover.	

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STATE OFFICIALS

Governor	JB Pritzker
Comptroller	Susana A. Mendoza
Speaker of the House	Emanuel Chris Welch
President of the Senate	Don Harmon
House Republican Leader	Tony McCombie
Senate Republican Leader	John Curran

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REPORT REQUIRED UNDER GOVERNMENT AUDITING STANDARDS

SUMMARY

The audit of the financial statements of the State of Illinois was performed in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the State of Illinois' basic financial statements, issued under a separate cover.

SUMMARY OF FINDINGS

The auditors identified three matters involving the State's internal control over financial reporting that they considered to be material weaknesses. Further, the auditors identified one noncompliance matter.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	7	2023/2007	Inadequate Financial Reporting Process	Material Weakness and Noncompliance
2024-002	10	2023/2002	Financial Reporting Weaknesses	Material Weakness
2024-003	16	2023/2022	Failure to Implement Adequate Information Technology Controls	Material Weakness
Prior Findings Not Repeated				
A	20	2023/2009	Late Payment of Statutorily Mandated Transfers	
B	20	2023/2020	Inadequate Controls over Pandemic Unemployment Assistance	

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EXIT CONFERENCE

The Office of the Governor waived an exit conference in a correspondence from Alexis Sturm, Director of the Governor's Office of Management and Budget, on January 21, 2026. The responses to the recommendations were provided by Alexis Sturm, Director of the Governor's Office of Management and Budget, in a correspondence dated January 28, 2026.

The Office of Comptroller waived an exit conference in a correspondence from Katie Madonia, Deputy Assistant Comptroller of Financial Reporting, on January 16, 2026. The responses to the recommendations were provided by Katie Madonia, Deputy Assistant Comptroller of Financial Reporting, in a correspondence dated January 20, 2026.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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 Emanuel Chris Welch, Speaker of the House
Honorable Don Harmon, President of the Senate
Members of the General Assembly
Honorable JB Pritzker, Governor
Honorable Susana A. Mendoza, Comptroller
State of Illinois

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 governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, the Unemployment Compensation Trust Fund, the Water Revolving Fund, and the aggregate remaining fund information of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State of Illinois' basic financial statements, and we have issued our report thereon dated February 4, 2026.

Our report is modified to include a reference to other auditors who audited the financial statements of certain university related organizations. Further, our report included an emphasis-of-matter paragraph which stated, as discussed in Note 2 to the financial statements, the State of Illinois restated beginning balances for a change in reporting entity. Lastly, our report included an emphasis-of-matter paragraph which stated the deficit for net position of governmental activities decreased during Fiscal Year 2024. The deficit decreased by \$10,948,124,000 from \$170,203,581,000 at June 30, 2023, to \$159,255,457,000 at June 30, 2024. This deficit, which is presented on an accrual basis, is the excess of total liabilities and deferred inflows of resources over total assets and deferred outflows of resources and represents a deferral of current and prior year costs to future periods.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the State's discretely presented component units. Separate reports have been issued for those entities except certain university related organizations and certain other authorities, for which the financial statements were not audited in accordance with *Government Auditing Standards*. The findings, if any, included in those reports are not included herein.

Report on Internal Control Over Financial Reporting

Management of the State of Illinois is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the State of Illinois' 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 State of Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois' 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.

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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2024-001 through 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois' 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2024-001.

The Office of the Governor's and the Illinois Office of Comptroller's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Office of the Governor's and the Illinois Office of the Comptroller's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Office of the Governor's and the Illinois Office of the Comptroller's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 State of Illinois' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General
State of Illinois

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA, CPA, CISA, CIA
Director of Financial and Compliance Audits
Office of the Auditor General

Springfield, Illinois
February 4, 2026

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2024-001. **FINDING** (Inadequate Financial Reporting Process)

The State of Illinois' (State) current financial reporting process does not allow the State to prepare a complete and accurate Annual Comprehensive Financial Report in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the financial statements (see Finding 2024-002 for additional detail). The lack of timely financial reporting limits effective oversight of State finances.

Accurate and timely financial reporting problems continue to exist even though the auditors have (1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), (2) commented on the inadequacy of the financial reporting process of the State, and (3) regularly proposed adjustments to the financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor (Governor) and towards the Office of Comptroller (Comptroller).

The Comptroller has made significant changes to the system used to compile financial information; however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The State has a highly decentralized financial reporting process due to the use of numerous financial reporting systems, many of which are not interrelated and require manual intervention to convert data. The process is also overly dependent on the post audit program, even though the Office of the Auditor General has repeatedly informed State agency officials that the post audit function is not a substitute for appropriate internal controls at State agencies.

Annual financial reporting to the Comptroller requires the State's agencies to prepare a series of financial reporting forms (SCO forms) designed by the Comptroller, which are utilized to prepare the Annual Comprehensive Financial Report. For the most part, these SCO forms are completed for each of the State's 857 primary government/ fiduciary funds and 15 component units. The forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of both generally accepted accounting principles (GAAP) and of the State's accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the Comptroller.

Although these SCO forms are subject to review by the Comptroller's financial reporting staff during the Annual Comprehensive Financial Report preparation process and there are recommended minimum qualifications for all new GAAP coordinators who oversee the preparation of the SCO forms, the current process still lacks sufficient internal controls at individual agencies. As a result, audit adjustments and significant internal control deficiencies relative to individual agencies' financial reporting continue to occur.

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Concepts Statement No. 1 of the Governmental Accounting Standards Board, *Objectives of Financial Reporting* (GASBCS 1, paragraph 66), states, “If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions.”

For those items noted above which are attributable to agencies under the jurisdiction of the Governor, the Office of the Governor’s (Governor) management team indicated the lack of a centralized financial accounting and a Statewide grants management system hinders the State’s ability to prepare a complete and accurate Annual Comprehensive Financial Report in a timely manner. The Governor noted that the lack of the necessary Statewide systems has led to agency personnel having to repeat methods from the past, which include relying on agency accounting staff who, in some cases, require further training in GAAP and are required to manually convert raw data from various operational IT applications into financial reports. Both these elements have led to a greater risk of errors and time-consuming manual reconciliation.

The Comptroller’s management indicated that delays at the department level were caused by a lack of sufficient internal control processes in State agencies for the accumulation and reporting of financial information used to prepare the State’s financial statements.

Failure to establish effective internal controls at all State agencies regarding financial reporting for the timely and accurate preparation of the Annual Comprehensive Financial Report prevents the State from completing an audit in a timely manner, delays financial reporting, and decreases the usefulness of such information. (2024-001, 2023-001, 2022-001, 2021-001, 2020-001, 2019-001, 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-1, 11-1, 10-1, 09-2, 08-2, 07-2)

RECOMMENDATION

We recommend the Governor and the Comptroller continue to work together to resolve the State’s inability to produce timely and accurate GAAP-basis financial information.

AGENCY RESPONSES

Office of the Governor:

The Office of the Governor (Governor) agrees with the recommendation. The Governor will continue to work with the Comptroller and individual state agencies that have the most pressing challenges to produce timelier and more accurate GAAP-basis financial information. The state agencies under the Governor are continuing the multi-year implementation of an Enterprise Resource Planning (ERP) system—an integrated enterprise-wide system that includes a financial accounting component. All state agencies under the Governor’s purview are using the financial accounting component of the ERP system. Further, the Governor anticipates that all state agencies subject to the Grant Accountability and Transparency Act will join the Statewide grants management system

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currently under development. The grants management system will pull data from the ERP system, promoting consistency across state systems. Upon full implementation, the two systems are expected to improve internal controls and will better support the agencies' production of accurate and timely financial statements. The Governor notes that he has no authority to direct or control the financial reporting processes employed by other constitutional offices. Finally, the Governor has taken steps to increase staffing of and training for agency fiscal offices to improve processes.

Office of Comptroller:

The Comptroller accepts the recommendation. The State still faces several roadblocks in the timely completion of the Annual Comprehensive Financial Report. The General Assembly enacted Public Act 96-1501, which extended the lapse period to October 31 for fiscal year 2021 and future fiscal years for medical payments of the Department of Veterans' Affairs and medical, childcare, and substance abuse treatment payments of the Department of Human Services. Public Act 102-0291 extended lapse period from August 31 to October 31 for fiscal year 2022 and future fiscal years for medical assistance payments of the Department of Healthcare and Family Services. More importantly, the Annual Comprehensive Financial Report completion continues to be delayed because of financial reporting issues identified during individual State agency financial and compliance audits. The report cannot be finalized until these issues are resolved at the individual State agency reporting level.

The Comptroller will continue to work with the Governor's Office, the Auditor General's Office, and agency GAAP coordinators to improve the timeliness and quality of reporting.

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2024-002. **FINDING** (Financial Reporting Weaknesses)

The State of Illinois (State) did not have adequate controls to address the risk of primary government agencies reporting incorrect information or information noncompliant with generally accepted accounting principles (GAAP).

As reported in Finding 2024-001, the State has a decentralized financial reporting process. Primarily in response to this decentralized process, we performed 25 audits at agencies of the primary government, including the five pension systems and the Illinois State Board of Investment. During these audits, we noted deficiencies that were either material weaknesses or significant deficiencies related to the internal controls over the financial reporting process.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

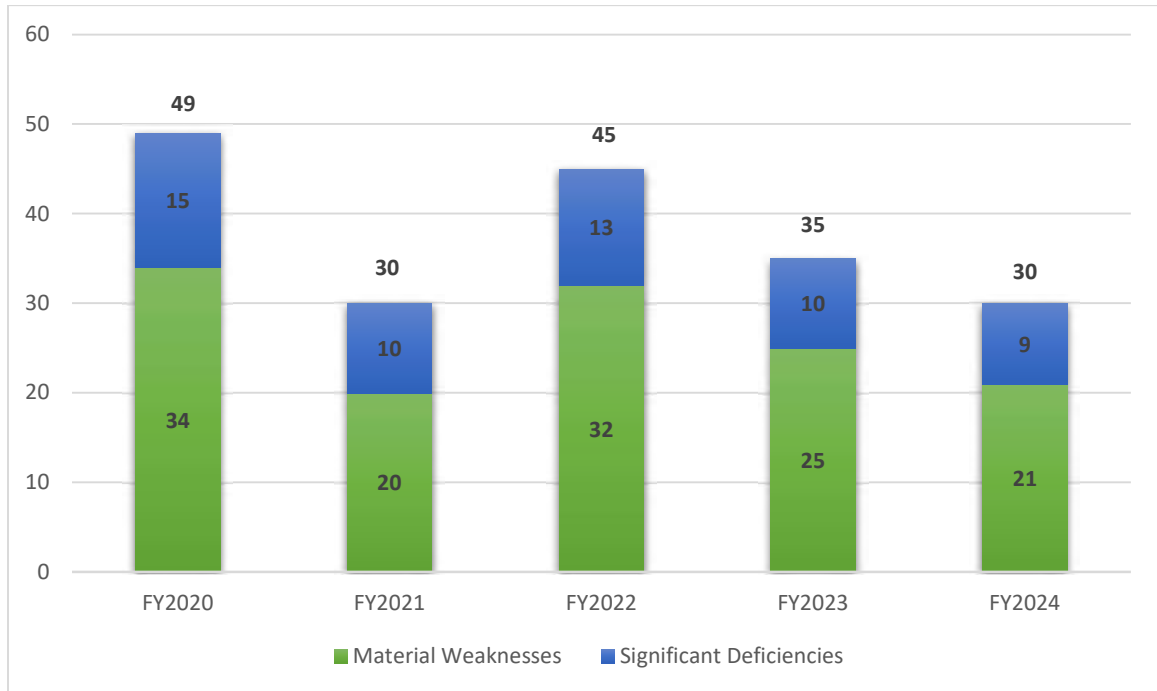
The chart below summarizes the number of material weaknesses and significant deficiencies we reported for each agency.

Agency	Material Weaknesses	Significant Deficiencies	Combined Total
Secretary of State	0	2	2
Office of Comptroller– Fiscal Officer Responsibilities	1	0	1
Office of the Treasurer – Illinois Funds	1	0	1
Department of Central Management Services	0	1	1
Department of Employment Security	3	2	5
Department of Human Services	4	0	4
Department of Innovation and Technology – Technology Management Revolving Fund	0	1	1
Department of Healthcare and Family Services	3	0	3
Department of Human Services and Department of Healthcare and Family Services*	5	0	5
Department of Revenue	1	0	1
Department of Transportation	2	1	3
Environmental Protection Agency	1	0	1
State Board of Education	0	2	2
Total	21	9	30

* Five findings were reported in the departmental financial audit reports for both the Department of Human Services and the Department of Healthcare and Family Services.

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In addition, this chart summarizes the total material weaknesses and significant deficiencies we reported over the past five fiscal years.



Specifically, some of the more significant issues noted during the current fiscal year by the auditors included the following:

- The Department of Healthcare and Family Services (DHFS) & Department of Human Services (DHS) (collectively Departments) failed to perform revalidations required for ongoing provider enrollment within the State of Illinois’ Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). The Departments did not perform the revalidation process for all 47,478 of the active providers that should have been revalidated during fiscal year 2024 (DHS Finding 2024-009 and DHFS Finding 2024-005).
- The Departments lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES). In 13 of 60 cases tested (22%), we noted exceptions (DHS Finding 2024-007 and DHFS Finding 2024-003). In addition, the Departments did not maintain adequate internal controls to ensure applications for benefits and redeterminations of eligibility for benefits were completed timely. As of June 30, 2024, the Departments had a backlog of 63,789 medical applications, 30,396 SNAP related applications, and 13,517 TANF related applications, for which the new application determination of eligibility to receive benefits was not completed timely. Additionally, the Departments had a backlog of 42,061 medical applications, 2,682 SNAP applications, and 1,853 TANF

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applications, for which the redetermination of eligibility to continue benefits was not completed timely (DHS Finding 2024-008 and DHFS Finding 2024-004).

- The DHFS's year-end financial reporting in accordance with GAAP contained inaccuracies and omitted amounts affecting balances. The DHFS lacked effective communication between its program and fiscal areas and external sources, resulting in the untimely identification of information pertinent to the financial statements. The final revision was provided over 12 months after year end and was not confirmed as final by the DHFS until almost 2 additional months had passed. (DHFS Finding 2024-006).
- The DHS did not have sufficient internal controls over accounting for grant transactions resulting in material misstatements to their draft financial statements (DHS Finding 2024-001). In addition, the DHS did not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the DHS financial statements (DHS Finding 2024-002).
- The Department of Transportation (DOT) did not establish adequate internal controls over accurately recording capital asset activity for financial reporting purposes. The DOT did not accurately account for capital assets. The effect of this misstatement in the DOT's government-wide financial statement was an understatement of infrastructure assets of \$2,600,138,000, an understatement of accumulated depreciation of \$54,593,000, and an understatement of net position of \$2,545,545,000 as of June 30, 2024 (DOT Finding 2024-001).
- The Department of Employment Security (DES) improperly recorded refunds received related to both federal and non-federal programs. The DES erroneously booked a large amount of negative revenue and negative expense, resulting in an overstatement of intergovernmental receivables, net by \$2 million, contributions for unemployment taxes by \$25 million, and an understatement of benefit payments and refunds by \$246 million, federal revenue by \$22 million, and miscellaneous revenues by \$247 million (DES Finding 2024-001). In addition, the DES did not prepare its year-end bank reconciliations timely. The final versions of the June 2024 reconciliations were provided to the auditors on November 20, 2024 (DES Finding 2024-002).

Details of all material weaknesses and significant deficiencies are reported in each agency's financial audit for the year ended June 30, 2024 (reports are available on the Auditor General's website). Material weaknesses and significant deficiencies further extend financial reporting timelines since additional measurements and reporting are required. Completion or substantial completion of these audits is necessary for the Auditor General to issue an opinion on the State's basic financial statements.

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In addition to the deficiencies noted above, we identified misstatements during the audit process. The following chart indicates audit adjustments identified during our testing.

Opinion Unit	Amount (in thousands)	Responsible Agency
Governmental Activities	\$1,619,067	Department of Healthcare and Family Services, Department of Transportation
Business-Type Activities	\$25,514	Department of Employment Security
General Fund	\$186,901	Department of Healthcare and Family Services
Unemployment Compensation Trust Fund	\$25,514	Department of Employment Security

The State’s decentralized reporting system and related decentralized internal control system are not adequate to reduce the likelihood that a material misstatement of the State’s financial statements could occur and not be detected during the normal course of business. Audit adjustments were routinely identified for the primary government’s State agencies required to prepare financial statements that were not deemed material by agency management and were not posted to the financial statements. In working with the Office of Comptroller (Comptroller) to finalize the State’s financial statements, it is necessary to accumulate all of the uncorrected adjustments and evaluate these adjustments in total to ensure that they do not materially misstate the State’s financial statements. Because of the volume of these passed adjustments, there is a continual risk that the State’s financial statements could potentially be materially misstated until this accumulation and evaluation process is completed. In addition, these uncorrected adjustments require continued accumulation and evaluation in the subsequent year.

For those items noted above which are attributable to agencies under the jurisdiction of the Governor, the Office of the Governor’s (Governor) management team indicated identified weaknesses and deficiencies at the agency level were due to staffing turnover, complex program requirements, conversion from accrual basis to/from cash basis of accounting, and the need for operational IT systems to be updated. Further, the Governor indicated the lack of a centralized financial accounting and a Statewide grants management system hinders the State’s ability to prepare a complete and accurate Annual Comprehensive Financial Report in a timely manner.

The Comptroller’s management stated the misstatements at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accumulation and reporting of financial information used to prepare the financial statements. Further, they stated the Comptroller has the statutory authority to develop and prescribe accounting policies for the State, but it does not have the statutory authority to monitor adherence to these policies as performed by State agencies.

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In accordance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/1002), each State agency's chief executive officer maintains statutory responsibility for the establishment and continuous monitoring of the internal control function for accounting and other operating policies of the officer's agency. (Finding Code No. 2024-002, 2023-002, 2022-002, 2021-002, 2020-002, 2019-002, 2018-002, 2017-002, 2016-002, 2015-002, 2014-002, 2013-002, 12-2, 11-2, 10-2, 09-1, 08-1, 07-1, 06-1, 05-1, 04-1, 03-1, 02-1)

RECOMMENDATION

We recommend the State continue its efforts to improve internal control procedures in order to assess the risk of material misstatements to the financial statements and to identify such misstatements during the financial statement preparation process. The internal control procedures should include a formal evaluation of prior problems and implementation of procedures to reduce the risk of these problems reoccurring.

AGENCY RESPONSES

Office of the Governor:

The Office of the Governor (Governor) agrees with the recommendation. The Governor will continue to work with the Office of the Comptroller and the state agencies under his jurisdiction to improve statewide internal control procedures and reduce the likelihood of material misstatements to the financial statements. The state agencies under the Governor are continuing the multi-year implementation of an Enterprise Resource Planning (ERP) system—an integrated enterprise-wide system that includes a financial accounting component. All state agencies under the Governor's purview are using the financial accounting component of the ERP system. Agencies will continue to assess how ERP can support them, assist in assessing the risk of material misstatements, and identify such misstatements during the reporting process. Further, the Governor anticipates that all agencies subject to the Grant Accountability and Transparency Act will join the Statewide grants management system, currently under development. The grants management system will pull data from the ERP system, promoting consistency across state systems. Upon full implementation, the two systems are expected to improve internal controls and will better support the ability of agencies to avoid misstatements in the financial reporting process. Further, the Governor has taken steps to increase staffing of and training for agency fiscal offices to improve the accuracy and timeliness of financial reporting processes such as accounts receivable and capital assets documentation. Finally, the Governor will work with DHFS and DHS to strengthen internal controls to improve the revalidations of providers and eligibility determinizations processed in the IMPACT system and IES, respectively. The Governor notes that he has no authority to direct or control the accounting policies and processes employed by other constitutional offices.

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Office of Comptroller:

The Comptroller accepts the recommendation. The Comptroller will continue to assist the Governor's Office in their efforts to increase the quality of GAAP packages by providing enhanced training and technical assistance to State agencies and encouraging more stringent internal controls at the agency level.

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2024-003. **FINDING** (Failure to Implement Adequate Information Technology Controls)

The State of Illinois (State) failed to implement adequate general Information Technology (IT) controls related to its environment and applications and failed to implement adequate controls over its service providers.

During our testing of the Office of Comptroller (Comptroller), we noted the Comptroller:

- With regard to security of the environment,
 - Was unable to provide certain requested information covering the audit period concerning the network and related security policies and procedures. In addition, the Comptroller was unable to provide a complete and accurate population of network devices for detailed testing. Due to these conditions, we were unable to conclude the Comptroller’s population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08).
- With regard to Access Provisioning,
 - Had three of nine (33%) users with access to critical applications when their job description did not require such access.
 - Had not established a formal process to periodically review users’ access to the applications.
 - Had not conducted periodic reviews of users’ permissions to the Active Directory system.
- With regard to Change Management,
 - Was unable to provide a complete and accurate population of changes. Due to these conditions, we were unable to conclude the Comptroller’s population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08). Despite this limitation, we performed testing on a sample of network changes and noted documentation of change approvals were not maintained for 18 of 18 (100%) network changes.
 - Did not have documentation of required approvals on change requests for 2 of 17 (12%) changes, and,
 - Did not maintain documentation of work-hours for 17 of 24 (71%) changes.

During our testing of the Department of Human Services and the Department of Healthcare and Family Services’ (collectively Departments) Integrated Eligibility System (IES), we noted:

- During the Departments’ internal security review, completed as part of its Plan of Actions and Milestones (2024) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), significant threats over the Department of Innovation and Technology’s general IT environment, which hosts IES, were identified.

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- The Departments experienced a security breach related to the IES system in August 2023.
- The Departments' Disaster Recovery Plan for its IES application did not include the following:
 - Detailed recovery scripts over the application and its data,
 - Detailed environment diagrams,
 - IES support staff and vendor contact information,
 - Documentation on the backup and responsibilities for recovery of IES, and
 - Documentation of the current environment.Additionally, we noted the Departments did not conduct recovery testing of critical systems and components in fiscal year 2024.

During our testing of the State's controls over the various service providers utilized by the agencies, we noted (lack of controls over service provider findings were noted at the Department of Employment Security and State Board of Education):

- System and Organization Controls (SOC) reports were not obtained and reviewed.
- Deviations noted in the SOC reports were not analyzed to determine the impact on internal controls.
- Controls to review significant subservice organizations had not been established.
- Controls to review significant services and subservice providers had not been established.
- Monitoring and documenting the operation of the Complementary User Entity Controls (CUECs) had not been completed.
- The period covered by the SOC reports and any subsequent bridge letter did not cover part or all of the audit period.

During our testing of the State's controls over Information Technology General Controls (ITGC), we noted (inadequate ITGCs findings were noted at Department of Employment Security, Healthcare and Family Services, and State Board of Education):

- A complete population of a changes could not be verified for some applications.
- Documentation of all changes was not maintained.
- Annual access reviews were not performed for all applications.
- Improper access and untimely removal of access for some applications.
- Disaster recovery testing was not conducted for all applications and associated data during the audit period.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control, Configuration Management, and the System Development Life Cycle sections, require entities to maintain proper internal controls over the security of the environment, access provisioning and change management. In addition, the Maintenance and System and Service Acquisition sections, requires entities

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SCHEDULE OF FINDINGS
For the Year Ended June 30, 2024

outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Controls reports or independent reviews. Further, the Contingency Planning section requires entities to establish controls in order to timely recover applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

The Comptroller's management indicated that the items causing auditors to cite concerns were due to incomplete written documentation although technical controls remain in place. Further, management stated staff shortages limited the Office's ability to implement adequate general IT controls.

For those items noted above which are attributable to agencies under the jurisdiction of the Governor, the Office of the Governor's (Governor) management team indicated the exceptions were the result of various factors at the indicated agencies, including the condensed timeline in financial reporting versus the time needed to develop and implement internal control procedures over service providers and information technology, turnover in responsible agency staff, insufficient training of agency staff, and misunderstanding of relevant criteria and terminology.

Failure to implement adequate general IT controls could lead to unauthorized access, unauthorized changes and security risks to the environments, applications, and data. Further, due to the severity of the weaknesses noted, we were unable to rely upon the general IT controls over the environment and applications. Failure to implement adequate controls over service providers could result in the agencies not having assurance of the service providers' internal controls. In addition, failure to adequately plan for the recovery of applications and data leaves the State exposed to the possibility of major disruptions to services. (Finding Code No. 2024-003, 2023-005, 2022-006)

RECOMMENDATION

We recommend the Office of the Governor and Office of Comptroller implement adequate general IT controls related to the State's environment, application, and service providers.

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AGENCY RESPONSES

Office of the Governor:

The Office of the Governor (Governor) agrees with the recommendation. The Governor will continue to work with the state agencies under his jurisdiction to improve general Information Technology (IT) controls related to their environments and applications and to implement adequate controls over their service providers. Agencies continue to train management and staff on the acquisition, review, and implementation of controls cited in SOC reports and to document procedures related to the same. In addition, the Governor's Office of Management and Budget, in consultation with the Department of Innovation and Technology (DoIT) and the Department of Central Management Services, is continuing to develop new policies and trainings related the general IT control responsibilities and functions of state agencies. DHS and DHFS continue to work with DoIT to implement multi-factor authentication, resolve any outstanding Plan of Actions and Milestones for IES as expeditiously as possible to address environment security, update the IES Disaster Recovery Plan to include elements in line with auditor recommendations, and to annual conduct recovery testing of IES. In addition, agencies continue to work with DoIT to implement necessary change management controls, increase necessary staffing levels, and implement corrective action plans to improve cybersecurity programs and practices.

Office of Comptroller:

The Comptroller accepts the recommendation. The Comptroller must be agile in its operations to ensure statutory requirements are met and adapt when conditions change. Over the past year the Comptroller has worked to address the items identified by the auditors and will continue to enhance critical event avoidance controls.

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SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
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A. **FINDING** (Late Payment of Statutorily Mandated Transfers)

During the prior audit, the Office of Comptroller (Comptroller) did not make all statutorily mandated transfers between State funds within established timeframes.

During the current audit, testing noted the Comptroller made significant improvements in making transfers within the timeframes established by applicable statutes. However, we continued to note certain late mandated transfers representing noncompliance to be reported in the Compliance Examination of the Fiscal Officer Responsibilities. As a result, this finding was not repeated herein. (Finding Code No. 2023-003, 2022-003, 2021-003, 2020-003, 2019-003, 2018-003, 2017-003, 2016-003, 2015-003, 2014-003, 2013-003, 12-3, 11-3, 10-3, 09-3)

B. **FINDING** (Inadequate Controls over Pandemic Unemployment Assistance)

During the prior audit, the Illinois Department of Employment Security (IDES) failed to maintain adequate controls over the Pandemic Unemployment Assistance (PUA) System (System).

During the current audit, the auditors noted that the program ended early in Fiscal Year 2023 and the auditors were able to obtain sufficient audit evidence for any few remaining amounts recorded in the financial statements. (Finding Code No. 2023-004, 2022-005, 2021-005, 2020-006)