STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2024

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

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STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024

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STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024

DEPARTMENT OFFICIALS

Director (05/30/25 – Present)	Ms. Ann Gillespie
Director (Acting) (04/17/24 – 05/29/25)	Ms. Ann Gillespie
Director (07/01/22 – 04/16/24)	Ms. Dana Popish Severinghaus
Chief of Staff	Ms. KC Stralka
Chief Fiscal Officer (07/01/23 – Present)	Mr. Rob Havens
Chief Fiscal Officer (Acting) (11/16/22 – 06/30/23)	Mr. Rob Havens
Chief Fiscal Officer (11/12/22 – 11/15/22)	Vacant
Chief Fiscal Officer (07/01/22 – 11/11/22)	Mr. Bryan Martin
General Counsel	Ms. Joanna Coll
Chief Internal Auditor	Mr. Kenneth Hovey

DEPARTMENT OFFICES

The Department's offices are located at:

320 West Washington Street Springfield, IL 62767	115 S. LaSalle Street, 13th Floor Chicago, IL 60603

Illinois Department of Insurance

JB PRITZKER
Governor

ANN GILLESPIE
Director

MANAGEMENT ASSERTION LETTER

June 10, 2025

Sikich CPA LLC
132 South Water Street, Suite 300
Decatur, IL 62523

Dear Sikich:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Insurance (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2024. Based on this evaluation, we assert that during the years ended June 30, 2023, and June 30, 2024, the Department has materially complied with the specified requirements listed below.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours Truly,

State of Illinois, Department of Insurance

SIGNED ORIGINAL ON FILE

Ann Gillespie, Director

SIGNED ORIGINAL ON FILE

Rob Havens, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Joanna Coll, General Counsel

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide.*

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	13	19
Repeated Findings	11	9
Prior Recommendations Implemented or Not Repeated	8	2

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2024-001	10	2022/2020	Inadequate controls over accounts receivables	Material Weakness and Material Noncompliance
2024-002	12	2022/2018	Voucher processing weaknesses	Material Weakness and Material Noncompliance
2024-003	15	2022/2022	Failure to implement adequate controls over user access	Material Weakness and Material Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings - Continued	
2024-004	18	2022/2022	Failure to implement adequate internal controls over service providers	Material Weakness and Material Noncompliance
2024-005	20	2022/2022	Failure to implement adequate internal controls related to cybersecurity programs, practices, and control of confidential information	Material Weakness and Material Noncompliance
2024-006	23	New	Failure to correctly report all fees	Material Weakness and Material Noncompliance
2024-007	25	2022/2018	Inadequate internal controls over State property and equipment	Significant Deficiency and Noncompliance
2024-008	26	2022/2014	Inadequate internal controls over reporting requirements	Significant Deficiency and Noncompliance
2024-009	29	2022/2018	Inadequate controls over personal services	Significant Deficiency and Noncompliance
2024-010	32	2022/2022	Internal audit did not adhere to the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2024-011	33	2022/2022	Failure to implement adequate internal controls over change management	Significant Deficiency and Noncompliance
2024-012	35	2022/2022	Noncompliance with the reporting requirements on mental, emotional, nervous, and substance use disorders	Significant Deficiency and Noncompliance
2024-013	36	New	Inadequate internal controls over preparing Agency Workforce Reports	Significant Deficiency and Noncompliance

Item No.	Page	Last/First Reported	Description
			Prior Findings Not Repeated
A	37	2022/2012	Failure to perform required examination of police and firefighter pension funds
B	37	2022/2022	Failure to fully utilize the State's Enterprise Resource Planning System
C	37	2022/2018	Inadequate controls over the timeliness of approving and denying of insurance HMO company policy forms
D	38	2022/2020	Inadequate controls over State vehicles
E	38	2022/2022	Failure to submit the annual report of the working group regarding treatment and coverage of substance abuse disorders and mental illness
F	38	2022/2022	Noncompliance with the requirements of the Illinois Insurance Code regarding mental health parity
G	39	2022/2022	Failure to convene education advisory council
H	39	2022/2020	Failure to timely appoint members to the Task Force on Disability Income Insurance

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Kenneth Hovey, Chief Internal Auditor, on May 28, 2025. The responses to the recommendations were provided by Kenneth Hovey, Chief Internal Auditor, in a correspondence dated June 10, 2025.

132 South Water St., Suite 300
Decatur, IL 62523
217.423.6000

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Insurance (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies* (*Audit Guide*) as adopted by the Auditor General, during the two years ended June 30, 2024. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2024. As described in the accompanying Schedule of Findings as item 2024-002, the Department had not obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligations, expenditure, receipt, or use. As described in the accompanying Schedule of Findings as items 2024-003 through 2024-005, the Department had not complied, in all material respects, with the applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as items 2024-001 and 2024-006, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with the applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2024, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2024-007 through 2024-013.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-001 through 2024-006 to be material weaknesses.

A significant deficiency in internal control 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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-007 through 2024-013 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
June 10, 2025

2024-001. **FINDING** (Inadequate controls over accounts receivables)

The Department of Insurance (Department) did not have adequate internal controls over the collection of its accounts receivables.

During testing of 40 account receivable balances as of June 30, 2024, we noted:

- Six (15%) account receivable balances, aged between 149 and 3,698 days and totaling $17,166, were not placed in the Comptroller's Offset System or referred to the Department of Revenue Debt Collection Bureau.
- Eight (20%) long outstanding account receivable balances under $1,000, aged between 1,186 and 5,185 days and totaling $3,147, were not certified as uncollectible with the Comptroller.
- Twenty (50%) long outstanding account receivable balances of $1,000 or more, aged between 1,419 and 5,015 days and totaling $156,281, were not certified as uncollectible with the Office of the Attorney General.

This finding was first noted during the Department's State compliance examination for the two years ended June 30, 2020, four years ago. In subsequent years, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.20) requires the Department to place all debts over $250 and more than 90 days past due in the Comptroller's Offset System.

Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 1200.60) requires the Department to refer to the Department of Revenue's Debt Collection Bureau all debt owed to the State, provided that the debt satisfies the requirements for referral of delinquent debt. The Code (74 Ill. Code 1200.50) defines delinquent debt as a debt to the State or any of its agencies that is owed by any person or entity, that is $10 or more, and that is more than 90 days past due.

The Uncollected State Claims Act (Act) (30 ILCS 205/2(a)) requires the Department to request the Attorney General to certify the claim or other accounts receivable as uncollectible when it is unable to collect any claim or account receivable of $1,000 or more after having pursued the debt in accordance with State law. Further, the Act (30 ILCS 205/2(c)) states claims or accounts receivable of less than $1,000 may be certified as uncollectible by the agency when the agency determines that further collection efforts are not in the best economic interest of the State.

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 assurance revenues are properly recorded and accounted for to maintain accountability over the State's resources.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated, as they did in the prior year, the exceptions noted were due to lack of available staff and turnover.

Failure to submit accounts receivables over $250 and more than 90 days past due to the Comptroller's Offset System or refer accounts receivables to the Attorney General results in noncompliance with State law and could result in the State not being able to recover amounts it is owed. Additionally, failure to write off uncollectible debts may result in unnecessary funds expended for monitoring and collecting such debts, and possible overstatement of State receivables. (Finding Code No. 2024-001, 2022-001, 2020-001)

RECOMMENDATION

We recommend the Department strengthen its internal controls over collection of accounts receivable. Additionally, we recommend the Department properly place past due debt in the Comptroller's Offset System or refer past due debt to the Debt Collection Bureau. Further, we recommend the Department certify debt as uncollectible with the Comptroller or request the Attorney General to certify accounts receivable as uncollectible when appropriate.

DEPARTMENT RESPONSE

Management agrees with this finding. Management has no doubt receivables over 90 days are not in offset. The Department lacks the people to complete the task and for some receivables the Department lacks the Social Security number (SSN) or Federal Employer Identification Number (FEIN) to place the receivable in the offset system. The Department lacks the SSN or FEIN because the Department's Producer Regulatory and Legal divisions do not capture the needed information in their work. An SSN or a FEIN is required to place the receivable in the offset system.

Personnel turnover is also attributed to this task going uncompleted. Between the Department's Tax Administration Unit (Unit) managers, little to nothing was placed into offset. The Department's new Unit manager has an Aged Unpaid invoice report, and it is their intention to make this a project to be completed this coming fiscal year. The Unit Manager knows the process, as they have placed some Department invoices into offset already. As the Unit continues to staff up, this task will be completed on a regular basis.

2024-002. **FINDING** (Voucher processing weaknesses)

The Department of Insurance (Department) did not timely submit its vouchers for payment to the Office of Comptroller and had processing weaknesses during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Department's expenditures data for fiscal years 2023 and 2024 and noted the following:

- The Department did not timely approve 340 of 2,788 (12%) vouchers processed during the examination period, totaling $7,743,609. We noted these vouchers were approved between 33 and 92 days after receipt of a proper bill or other obligating document.

Additionally, during detail testing of travel vouchers we noted:

- Two of 32 (6%) travel vouchers, totaling $2,041, did not have the appropriate approval.
- One of 32 (3%) travel vouchers, totaling $391, did not itemize direct billing on the voucher.
- Two of 32 (6%) travel vouchers, totaling $4,156, contained out-of-state travel requests not submitted at least 30 days prior to travel date.

This finding was first noted during the Department's State compliance examination for the two years ended June 30, 2018, six years ago. In subsequent years, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt. The Code (74 Ill. Admin. Code 1000.50) also requires the Department to process payments within 30 days after the physical receipt of Internal Service Fund bills.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that 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.

The State Finance Act (Act) (30 ILCS 105/9.02 (b)(1)) requires every voucher, as submitted by the agency or office in which it originates, shall bear (1) the signature of the officer responsible for approving and certifying vouchers under the Act and (2) if authority to sign the responsible officer's name has been properly delegated, also the signature of the person signing the voucher.

The Code (80 Ill. Admin Code 2800.260) requires direct billed items to be indicated on the travel voucher along with all reimbursable items. All columns of travel vouchers are to be totaled and cross-footed, of which then the direct-billed total will be deducted from the cross-footed total with the balance being the amount to be reimbursed to the employee.

The Code (80 Ill. Admin Code 2800.700(b)) requires the approval of the Governor's Office of Management Budget prior to travel, submitted via eTravel, at least 30 days in advance of the departure date for travel outside of Illinois.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated the untimely approval of vouchers was due to delays in obtaining proper contract documentation, delays in processing obligations, and a misunderstanding of proper bill or receipt date of the goods and/or services to be used. Department management further stated the vouchers not containing appropriate approval were due to the misunderstanding of the Director's travel required a second signature and the lack of direct bill itemization was due to misunderstanding the direct bill should be noted in the appropriate column if it is also noted in the comments and explanations section. Finally, Department management stated the out-of-state travel requests were not made timely due to instances in which staff are requested to attend functions out-of-state with a limited time frame for out-of-state travel pre-approval.

Failure to timely process proper bills and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees and represents noncompliance with the Code. Furthermore, failure to ensure compliance with applicable rules and regulations could result in improper expenditures of State funds and represents noncompliance with the Act and the Code. (Finding Code No. 2024-002, 2022-003, 2020-007, 2018-011)

RECOMMENDATION

We recommend the Department timely approve proper bills and obligations due to vendors. Additionally, we recommend the Department strengthen internal controls to ensure compliance with applicable rules and regulations over expenditures.

DEPARTMENT RESPONSE

Management agrees with the finding and will ensure, moving forward, all vouchers are processed in a timely manner, and, to assist in this effort, the Department will be adding additional Voucher Processing staff. Due to lack of staff, some payments may have been delayed. Additionally, there will be exceptions, some beyond Department control, such as late submission and approval of last-minute travel plans and late invoice processing resulting from extended audit/approval processes to ensure proper payment is being made.

Payments may have been processed after 30 days, for getting paid, but not for being approved. The exceptions provided were only a list of vouchers in which more than 30 days occurred between the baseline date (date of proper bill) and date entered in ERP.

ACCOUNTANT'S COMMENT

The testing performed and reported in this finding is based on a comparison between the baseline date (date proper bill is received per the Code (74 Ill. Admin. Code 900.70)) and the date of approval by the agency head or designee documented (approval date recorded by the computer system per Code (74 Ill. Admin. Code 900.20)). Instances identified where more than 30 days had elapsed between those 2 dates were reported in this finding. Lengthy delays in processing or approving vouchers and other obligations indicate weaknesses in internal controls and fail to serve the public interest.

2024-003. **FINDING** (Failure to implement adequate controls over user access)

The Department of Insurance (Department) failed to implement adequate internal controls over users' access to its applications and data.

As part of its mission in regulating the insurance markets, the Department utilizes several applications and maintains confidential data. These applications are used by the Department for managing the State's insurance providers and for the Department's internal financial and human resource information. We identified the following applications maintained by the Department to have a material impact on the Department's operations and/or financial information:

- Accounting Management System (AMS)
- Statutory Deposits
- Financial Corporate Regulatory Dashboard (FCR)
- Pension Annual Statement System (PASS)
- Data Call Manager (DCM)
- Examiner Billing
- TeamMate

Additionally, we identified the following applications maintained by the Department of Innovation and Technology (DoIT) and used by the Department to have a material impact on the Department's operations and/or financial information:

- Enterprise Resource Planning (ERP)
- Central Payroll System (CPS)
- Central Time and Attendance System (CTAS)
- e-Time

Auditors tested information technology general controls (ITGCs) for Department applications assessed to have a material impact on the Department's financial information and/or operations. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. Access provisioning procedures were performed for each of these applications.

As part of our examination, we requested the Department provide populations of users with access to the applications tested. The Department was able to provide complete and accurate populations for all applications, except for one application. When the population of active users for this application was reviewed, the Department stated 10 of 22 (45%) users identified as active by the Department and included in our sample did not have user access and should therefore not be considered active. As such, we determined the Department's population of active application users was not sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants.

Even given the population limitation noted above, we selected a sample of users from all applications, including the application described above, to test user access controls. During our testing, we noted:

- Nine of 14 (64%) separated users tested still had access to the applicable systems after separation. Access was still active from 90 to 594 days between the dates of separation and June 30, 2024.
- Twenty-one of 85 (25%) active users tested did not require access to the applicable systems.
- Seven of 19 (37%) users tested with administrative access did not require administrative access.

During our testing of the Department applications, we noted the Department was unable to provide documentation an annual user access review was performed for any of the applications for fiscal year 2023. Additionally, the Department was unable to provide documentation an annual user access review was performed for three of seven (43%) applications tested in fiscal year 2024.

During our testing of the DoIT applications, we noted the Department was unable to provide documentation an annual user access review was performed for any of the applications for either fiscal year 2023 or 2024. Additionally, the Department was unable to provide documentation it periodically reviewed its mainframe user access or Active Directory accounts during fiscal years 2023 or 2024.

The Statement on Standards for Attestation Engagements (AT-C § 205.36) requires when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purpose, including obtaining evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

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 assurance that 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 *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 section, requires entities to develop access provisioning policies and procedures and ensure access is provided on a needed basis and ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

Department management indicated users' access was not explicitly revoked in all applications based on the assumption deactivation of Active Directory accounts during offboarding automatically resulted in deactivation across applications. Additionally, Department management stated the inaccurate population of one application's users and the incompletion of annual access reviews were due to oversight.

Failure to implement internal controls over users' access and perform periodic reviews could result in inappropriate access to the Department's applications and data, which increases the risk confidentiality, integrity and availability of data could be compromised. (Finding Code No. 2024-003, 2022-004)

RECOMMENDATION

We recommend the Department maintain a complete and accurate list of users for all applications used by the Department. We also recommend the Department strengthen internal controls over access removal for employees no longer requiring access. Finally, we recommend the Department perform, and document, annual user access reviews, including the periodic review of mainframe user access and Active Directory accounts.

DEPARTMENT RESPONSE

Management agrees with the finding and acknowledges the importance of maintaining an accurate and up-to-date list of users. Going forward, user access records will be reviewed and updated regularly to reflect all relevant employee lifecycle events, including onboarding, offboarding, role changes, and annual access reviews. These processes will be aligned with organizational policies to ensure proper access management and compliance.

2024-004. **FINDING** (Failure to implement adequate internal controls over service providers)

The Department of Insurance (Department) failed to implement adequate internal controls over its service providers.

The Department utilizes three service providers for personnel monitoring, accounting, payroll, and voucher processing; industry regulation consulting; and financial regulation and examination assistance. The Department provided five System and Organization Control (SOC) reports for each year of the examination period from the three service providers. Our testing noted:

- Four of five (80%) fiscal year 2023 SOC reports did not have internal reviews completed by the Department, including an analysis of Complementary User Entity Controls (CUECs) or identification of subservice organizations.
- One of five (20%) fiscal year 2023 SOC report internal review was not performed timely.
  - The SOC report covering the year ending June 30, 2023, was released July 11, 2023; however, the documented review was not performed until July 19, 2024, one year after the report was released.
- One of five (20%) fiscal year 2024 SOC reports had a timely internal review completed but did not include documentation or analysis of the CUECs.
- Four of four (100%) required bridge letters for service providers whose SOC reports did not cover the entire engagement period were not obtained.
  - Two SOC reports only covered through February 28, 2023, and March 31, 2023, for the year ending June 30, 2023.
  - Two SOC reports only covered through February 29, 2024, and March 31, 2024, for the year ending June 30, 2024.

The Department 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.

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 assurance that 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.

Additionally, 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), System and Service Acquisition sections (SA-4, SA-5, SA-9), requires entities 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 Control reports or independent reviews.

During the prior examination, Department management indicated the Department of Innovation and Technology (DoIT) was responsible for the Department's security controls and the Department did not have sufficient resources to carry out these responsibilities. During the current examination, Department management indicated the lack of service provider management was due to resource limitations.

Failure to implement adequate controls over service providers results in the Department not having assurance the service providers' internal controls are adequate and could expose the Department's applications and data to significant risks. (Finding Code No. 2024-004, 2022-005)

RECOMMENDATION

We recommend the Department timely perform and document a complete, comprehensive review of the SOC reports received, including an analysis of CUECs and identification of subservice organizations. Additionally, we recommend the Department obtain bridge letters from service providers when the SOC report does not cover the entire engagement period.

DEPARTMENT RESPONSE

Management agrees with this recommendation and recognizes the importance of thoroughly reviewing SOC reports to ensure proper oversight of third-party service providers. The Department will implement a process to timely perform and document a comprehensive review of all SOC reports received, including analysis of Complementary User Entity Controls (CUECs) and identification of any subservice organizations. In addition, the Department will ensure that bridge letters are obtained when SOC reports do not cover the full period of service, to maintain continuous assurance over the control environment.

2024-005. **FINDING** (Failure to implement adequate internal controls related to cybersecurity programs, practices, and control of confidential information)

The Department of Insurance (Department) failed to implement adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Department's mission is to "protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace." In order to carry out its mission, the Department utilizes several information technology applications which contain confidential and personal information.

During our examination, we requested the Department's documentation demonstrating their cybersecurity programs, practices, and control of confidential information. We noted the Department did not require employees and contractors to formally acknowledge their understanding of policies and procedures.

Additionally, the Department provided documentation showing the data classification methodology developed and demonstrated classification efforts are in place; however, we were unable to determine all required information was included in the data classification documentation, including categories (i.e., public, sensitive, confidential, personal), storage media, access permissions, data retention, and data destruction.

Further, Department policies and practices address how to keep Personally Identifiable Information (PII) safe and the destruction of this information; however, the Department's policies failed to address the tracking of such information from acquisition until disposal as required by the Department of Information Technology (DoIT).

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 Media Protection, System and Information Integrity, and Personally Identifiable Information Processing and Transparency sections require entities to develop controls for the classification, protection, maintenance, retention and destruction of data, and tracking and processing of PII data. Additionally, *The Framework for Improving Critical Infrastructure and the Security and Privacy Controls for Information Systems and Organizations* published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. At a minimum, the review should assess the following:

- Effectiveness of State agency cybersecurity practices.
- The risks or vulnerabilities of the cybersecurity systems used by State agencies.
- The types of information that are most susceptible to attack.
- Ways to improve cybersecurity and eliminate vulnerabilities to State cybersecurity systems.
- Any other information concerning the cybersecurity of the State agencies that the Auditor General deems necessary and proper.

The DoIT Enterprise Information Security Policy (Security Policy) specifies DoIT Client Agencies shall establish, maintain, and update, on a defined frequency, an inventory containing a listing of all programs and Information Systems identified as collecting, using, maintaining, or sharing PII. The Security Policy also states the PII inventory updates shall be provided to its Agency Chief Information Officer or information security official to support the establishment of information security requirements for all new or modified Information Systems containing PII. Further, the Security Policy states each Client Agency and/or DoIT Division must establish procedures in order to achieve Security Policy compliance.

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 assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

During the prior examination, Department management indicated DoIT was responsible for internal controls over cybersecurity controls and the Department did not have sufficient resources to carry out these responsibilities. During the current examination, Department management indicated a deficiency in policies and ongoing resource shortages prevented them from addressing these requirements.

Failure to implement adequate internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risks and vulnerabilities, lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure, and represents noncompliance with rules and regulations. (Finding Code No. 2024-005, 2022-006)

RECOMMENDATION

We recommend the Department strengthen its internal controls related to cybersecurity programs, practices, and control of confidential information. Specifically, the Department should require employees and contractors formally acknowledge their understanding of the cybersecurity policies and procedures, ensure all required information is included in the data classification documentation, and track PII from acquisition until disposal.

DEPARTMENT RESPONSE

Management agrees with the recommendation and is committed to strengthening internal controls related to cybersecurity practices and the protection of confidential information. The Department will enhance its processes to ensure that all employees and contractors formally acknowledge their understanding of applicable cybersecurity policies and procedures. Additionally, the Department will ensure that data classification documentation is complete and accurate and will implement measures to effectively track personally identifiable information (PII) throughout its lifecycle, from acquisition to secure disposal, in accordance with established security and privacy standards.

2024-006. **FINDING** (Failure to correctly report all fees)

The Department of Insurance (Department) did not correctly report all fees on its Agency Fee Imposition Report (Report).

During our review of the Reports submitted during the examination period, we noted:

- Two of 15 (13%) fees within the fiscal year 2022 Report did not agree to Department records. The differences of $2,803,893 in two fee categories were due to incorrect fee categorization.
- Three of 15 (20%) fees within the fiscal year 2023 Report did not agree to Department records. Two of the differences noted, totaling $2,570,136 and $2,609,830, were due to incorrect fee categorization. The Department was unable to provide an explanation for one of the differences noted totaling $1,120,925.

The State Comptroller Act (15 ILCS 405/16.2) requires State agencies that impose fees to file the Agency Fee Imposition Report Form with the Illinois Office of Comptroller (Comptroller).

The Illinois State Auditing Act (30 ILCS 5/3-8.5) requires reporting of a list and description of fees imposed by the agency, the purpose of the fees, the amount of revenue generated, and the funds into which the fees are deposited.

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 assurance revenues are properly recorded and accounted for to maintain accountability over the State's resources.

Department management indicated the noncompliance was due to oversight.

Inaccurate reporting of fees on the Reports submitted to the Comptroller results in the Comptroller reporting inaccurate information on the Statewide Agency Fee Imposition Report submitted to the General Assembly and represents noncompliance with the Act. (Finding Code No. 2024-006)

RECOMMENDATION

We recommend the Department ensure the accuracy of the Agency Fee Imposition Reports prior to its submission to the Comptroller.

DEPARTMENT RESPONSE

Management agrees with the finding and will strive to accurately report fees moving forward. The Fee Imposition Report information was previously collected and reported by different individuals in the Department. With staff turnover this report became the obligation of a new individual who has undergone a learning curve in regard to report information gathering and submission. This individual has since worked with the former employees to better understand the processes involved with this report.

2024-007. **FINDING** (Inadequate internal controls over State property and equipment)

The Department of Insurance (Department) did not maintain adequate internal controls over the reporting and monitoring of its State property and equipment.

During asset addition testing, we noted seven of 30 (23%) new assets tested, totaling $70, were not timely added to the Department's property listing. These items were all mobile phones and were added between 13 and 185 days after the 90-day requirement.

This finding was first noted in the Department's State compliance examination for the two years ended June 30, 2018, six years ago. In subsequent years, the Department has made improvements to the reporting and monitoring of property and equipment, however, it has been unsuccessful in fully implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days after acquisition, change, or deletion of equipment items.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated the noncompliance was due to deficiencies in the process to record new phones.

Failure to exercise adequate internal controls over State property may result in inaccurate property control records, increase the potential for fraud, and possible loss or theft of State property, and represents noncompliance with the Code. (Finding Code No. 2024-007, 2022-008, 2020-006, 2018-009)

RECOMMENDATION

We recommend the Department strengthen its internal controls over State property and equipment to ensure compliance with the Code.

DEPARTMENT RESPONSE

The Department agrees with the finding. In response, Department staff have instituted a corrective action plan that streamlines the process of obtaining and sharing billing records from the Department of Innovation and Technology Telecommunications. The new processes, which include the provision of packing lists and faster sharing of monthly billing records, have already proven to reduce the time period between the purchase of telecommunication devices and finalizing the capitalization of entries in the Enterprise Resource Planning (ERP) inventory system. The Department believes that implementation of the new corrective action plan will ensure that acquisitions are entered into the ERP inventory system within the 90-day window.

2024-008. **FINDING** (Inadequate internal controls over reporting requirements)

The Department of Insurance (Department) did not have adequate internal controls over its reporting requirements.

During our review of the mandated reports, we noted the Department's population provided to the auditors did not contain all reports required to be filed. As such, we were unable to determine the Department's population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AICPA).

Even with the limitations of the mandated report population, we tested 15 statutorily mandated reports and noted:

- The Department could not provide documentation three (20%) reports were timely submitted to the required recipients during the engagement period.
  - 2023 Cost Containment Annual Report.
  - 2022 and 2023 Workers' Compensation Oversight Report.
- The Department could not provide documentation eight (53%) reports, issued by the Department, were submitted to the State Library for its collection and exchange purposes.
  - The following reports were not submitted during fiscal year 2023: Medical Malpractice Closed Claim Study; Workers' Compensation Oversight Report; Insurance Fraud and Non-Compliance Report; Biennial Report of the Public Pension Division; and Bilingual Employee Staffing Level Report.
  - The following reports were not submitted during fiscal year 2024: Workers' Compensation Oversight Report; Biennial Report of the Public Pension Division; and Office of Consumer Health Insurance Report.
- Eight (53%) reports, issued by the Department, were not posted on the Department's website.
  - The following mandated reports were not posted during fiscal year 2023: Medical Malpractice Closed Claim Study; Insurance Fraud and Non-Compliance Report; Biennial Report of the Public Pension Division; and Bilingual Employee Staffing Level Report.
  - The following mandated reports were not posted during fiscal year 2024: Workers' Compensation Oversight Report; Insurance Fraud and Non-Compliance Report; Biennial Report of the Public Pension Division; and Bilingual Employee Staffing Level Report.

In addition to the mandated reports issued by the Department, 15 publications were also issued by the Department. Fifteen of 15 (100%) publications were not provided to the State Library for its collection and exchange purposes.

This finding was first noted in the Department's State compliance examination for the two years ended June 30, 2014, 10 years ago. In subsequent years, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The AICPA's Statement on Standards for Attestation Engagements (AT-C § 205.36) requires when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purpose, including obtaining evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

The Illinois Insurance Code (215 ILCS 5/1202) requires the Director of the Department to determine the relationship of insurance premiums and related income as compared to insurance costs and expenses and provide such information to the General Assembly and the general public. Additionally, an annual report is required to be submitted to the General Assembly no later than July 1 each year, which shall include the Director's findings and recommendations regarding the Department's duties. The Department issues the Cost Containment Annual Report for this requirement.

The Workers' Compensation Act (820 ILCS 305/29.2) requires the Department to annually submit a written report to the Governor, Chairman of the Commission, President of the Senate, Speaker of the House of Representatives, Minority Leader of the Senate, and the Minority Leader of the House of Representatives detailing the state of the workers' compensation insurance market in Illinois by April 1 of each year and post the report to the Department's website. The Department issues the Workers' Compensation Oversight Report for this requirement.

The State Library Act (15 ILCS 320/21(a)) requires the Department to provide and deposit with the Illinois State Library sufficient copies of all publications issued by the Department for its collection and for exchange purposes.

The General Assembly Organization Act (25 ILCS 5/3.1) requires any report, whenever any law or resolution requires submission to the General Assembly, make a copy of the report available for a reasonable time on its Internet site or on the Internet site of the public entity that hosts the reporting entity's World Wide Web page, if any, and additional copies be filed with the State Government Report Distribution Center for the General Assembly as required under the State Library Act.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated lack of resources, staff transitions, and in some cases lack of clearly defined methods of filing within State law led to the issues noted.

Failure to timely submit required reports to required recipients prevents those with oversight responsibilities from receiving relevant information to monitor progress and represents noncompliance with State laws. Failure to submit issued reports to the Illinois State Library limits public access to the Department's documents, hinders archival responsibilities of the Illinois State Library, and represents noncompliance with State law. Failure to post Department reports to its website limits public access and represents noncompliance with State law. (Finding No. 2024-008, 2022-009, 2020-005, 2018-007, 2016-004, 2014-006)

RECOMMENDATION

We recommend the Department strengthen its internal controls over its reporting requirements to ensure a complete list of required reports is maintained, proper documentation of submission is maintained, reports and publications are submitted to the Illinois State Library, and reports are posted to the Department's website.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department's Data Reporting section is now adequately staffed to ensure all mandated reports and publications are created, timely submitted to the required recipient(s), and uploaded to the Illinois State Library and/or the Department's website. This section will also maintain documentation containing support that all these requirements have been met. In strengthening the Data Reporting section's internal controls, the section's supervisor will perform an extensive review of Illinois Insurance statutes to determine whether the section's mandated report checklist needs updated or not. Going forward, this checklist will be analyzed monthly to assess the Department's compliance regarding mandated reporting.

2024-009. **FINDING** (Inadequate controls over personal services)

The Department of Insurance (Department) did not maintain adequate internal controls over personnel files, employee evaluations, and employee training.

During testing of personnel files, we noted:

- Five of 37 (14%) employees hired prior to July 1, 2022, did not have a completed Employment Eligibility Verification Form I-9 (Form I-9) documented within their personnel files.
- Three of 23 (13%) new employees did not have a completed and signed Section 1 of the Form I-9 within their personnel files dated no later than the end of the first day of employment or a signed Section 2 of the Form I-9 within three days of hire.

During testing of employee evaluations, we noted:

- Six of 60 (10%) employees did not have evaluations performed in fiscal year 2024.
- Nineteen of 60 (32%) employees did not have one or more evaluations timely performed in fiscal year 2023 and/or fiscal year 2024. Evaluations were completed between two and 131 days late.

During testing of required trainings, we noted:

- One of 23 (4%) new employees did not complete the required initial ethics training within 30 days of commencing employment. The training was completed 61 days late.
- Two of 23 (9%) new employees did not complete the required initial employee harassment and discrimination prevention training within 30 days of commencing employment. The trainings were completed 65 and 74 days late.

This finding was first noted in the Department's State compliance examination for the two years ended June 30, 2018, six years ago. In subsequent years, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Immigration Reform and Control Act of 1986 (8 USC § 1324a) requires the hiring entity to attest it has verified an individual employed is not an unauthorized alien. The Immigration Reform and Control Act of 1986 and the Code of Federal Regulation (8 CFR § 274a.2) require a hiring entity to ensure the individual it hires properly completes Section 1 of the Form I-9 at the time of hire and sign Section 2 of the Form I-9 within three business days of hire. The Immigration Reform and Control Act of 1986 further states a paper (with original handwritten signatures), electronic, original paper scanned into an electronic format, or a combination of paper or electronic, copy of the original signed version of Form I-9 must be retained by an employer for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270) establishes a system of probationary and annual employee evaluations such that no employee is evaluated not less often than annually, or in the case of an employee serving a six-month probationary period, the Department is required to prepare and submit two evaluations, one at the end of the third month of the employee's probationary period and another 15 days before the conclusion thereof. In addition, prudent business practices require employee performance evaluations to be performed timely to communicate to employees the strengths and deficiencies in meeting their job responsibilities.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10(c)) requires all new employees to complete an initial ethics training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter. Further, the Act (5 ILCS 430/5-10.5(a-5)) requires all new employees to complete an initial harassment and discrimination prevention training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter.

Finally, the Department's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Department management stated the exceptions related to Form I-9s for employees hired prior to July 1, 2022, were due to the Department being unable to obtain the relevant form from when human resources was a shared service within the State. Department management indicated the evaluations were not performed, or timely performed, due to competing priorities, and trainings were not completed timely due to oversight.

Failure to properly complete and maintain each employee's Form I-9 results in noncompliance with the Immigration Reform and Control Act of 1986 and the Code of Federal Regulations. Failure to perform evaluations to systematically and uniformly approach the development of employees and communicate expectations results in noncompliance with the Code. Further, failure to monitor employees and ensure they complete all required training courses results in noncompliance with Act and could result in a workforce which is not adequately trained to fulfill their duties and meet their statutory duties. (Finding Code No. 2024-009, 2022-010, 2020-008, 2018-008)

RECOMMENDATION

We recommend the Department strengthen its internal controls to maintain documentation required by laws and regulations, ensure Form I-9s are properly completed, complete employee performance evaluations timely, and ensure training courses are completed timely.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department will continue its efforts to strengthen the related internal controls to enforce policies and procedures governing the submission and completeness of I-9 forms. The Department will also continue to strengthen the procedures for monitoring performance evaluations to ensure they are completed timely and for the necessary timeframes. The Department will strengthen the internal controls over timeliness of completing mandatory trainings.

2024-010. **FINDING** (Internal audit did not adhere to the Fiscal Control and Internal Auditing Act)

The Department of Insurance (Department) failed to adhere to provisions in the Fiscal Control and Internal Auditing Act (Act).

The Department has identified 10 major systems in its risk assessment requiring a periodic review. During testing of internal audits completed during the engagement period, we noted the Department had not reviewed one of 10 (10%) major systems, the Purchasing, Contracting, and Leasing system, at least once every two years.

The Act (30 ILCS 10/2003 (a)(2)) requires the Director to ensure the internal auditing program includes audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years.

Department management stated the exception noted was due to competing priorities and staff shortages.

Failure to perform regular audits of major systems of internal accounting and administrative controls may result in internal control weaknesses not being detected timely and represents noncompliance with the Act. (Finding Code No. 2024-010, 2022-015)

RECOMMENDATION

We recommend the Department's internal audit function ensures audits of major systems of internal accounting and administrative controls are conducted on a periodic basis, so all major systems are reviewed at least once every two years.

DEPARTMENT RESPONSE

Management agrees with this finding. The Department will work towards prioritizing systems audits to ensure each is audited at least once every two years.

2024-011. **FINDING** (Failure to implement adequate internal controls over change management)

The Department of Insurance (Department) failed to implement adequate internal controls over changes to its applications and data.

The Department utilizes several applications containing critical, confidential, and sensitive information in order to meet its mission. These applications are used by the Department for managing the State's insurance providers and for the Department's internal financial and human resource information. We identified the following such applications maintained by the Department:

- Accounting Management System (AMS)
- Statutory Deposits
- Financial Corporate Regulatory Dashboard (FCR)
- Pension Annual Statement System (PASS)
- Data Call Manager (DCM)
- Examiner Billing
- TeamMate

Auditors tested information technology general controls (ITGCs) for applications maintained by the Department assessed to have a material impact on the Department's financial information and/or operations. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. Change control is the systematic approach to managing changes to an application or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

During our testing over application changes, we noted:

- Thirty-two of 34 (94%) changes tested did not have documentation of production approval.
- Twenty-three of 34 (68%) changes tested did not have sufficient documentation the individual moving the change into production was different than the individual who programmed the change, demonstrating a segregation of duties.

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), Configuration Management, System and Service Acquisition, and Access control sections, require entities to ensure applications are modified in a manner that promotes consistency, integrity, and security, define Change Management Procedures, and ensure access is appropriate, properly segregated, and timely terminated, and access reviews are conducted periodically.

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 assurance that 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 lack of documentation is the result of human error.

Failure to exercise adequate internal controls over changes to application and data could result in unauthorized changes being made. These deficiencies increase the risk that confidentiality, integrity, and availability of data could be compromised. (Finding Code No. 2024-011, 2022-016)

RECOMMENDATION

We recommend the Department strengthen internal controls over production approval and segregation of duties surrounding change management practices to safeguard against the same individual programming the change and moving it to production are sufficient and documented.

DEPARTMENT RESPONSE

Management agrees with the recommendation and acknowledges the importance of strong internal controls over change management to ensure proper segregation of duties. The Department will strengthen its processes to ensure that changes to production systems are subject to appropriate review and approval, and that no single individual is responsible for both developing and promoting a change to the production environment. These controls will be formally documented and consistently enforced to safeguard system integrity and reduce the risk of unauthorized or unreviewed changes.

2024-012. **FINDING** (Noncompliance with the reporting requirements on mental, emotional, nervous, and substance use disorders)

The Department of Insurance (Department), in conjunction with the Department of Healthcare and Family Services (HFS), did not comply with the reporting requirements of the Illinois Insurance Code (Code) pertaining to mental, emotional, nervous, and substance use disorder benefits.

During testing, we noted the Department and HFS submitted the joint 2022 and 2023 annual reports, due January 1, 2023, and January 1, 2024, respectively. However, the Department was unable to provide documentation of when the annual reports were filed, and as a result we were unable to determine if the reports were filed timely. Additionally, the Department was unable to support the Department and HFS performed the required educational presentation to the General Assembly on either the 2022 or 2023 annual joint reports.

The Code (215 ILCS 5/370c.1(h)(3)) requires the Department, in conjunction with HFS, to issue a joint report to the General Assembly and provide an educational presentation pertaining to various elements of mental, emotional, nervous, and substance use disorders and conditions and compliance with parity obligations under State and federal law to the General Assembly no later than January 1 of each year.

Department management stated the noncompliance was due to the minimal amount of turnaround time for the report to be submitted.

Failure to timely submit the statutorily required annual joint reports and perform the required presentation prevents the General Assembly from receiving relevant feedback and obtaining knowledge for the oversight of State programs and represents noncompliance with the Code. (Finding Code No. 2024-012, 2022-018)

RECOMMENDATION

We recommend the Department work with HFS to ensure annual joint reports are submitted timely and educational presentations are performed annually to comply with the reporting requirements of the Code.

DEPARTMENT RESPONSE

Management agrees with the finding and has set an automated reminder for 30-45 days prior to report’s due date. Management will work with HFS to complete the report timely.

2024-013. **FINDING** (Inadequate internal controls over preparing Agency Workforce Reports)

The Department of Insurance (Department) did not have adequate internal controls over the preparation of its Agency Workforce Reports.

The fiscal year 2022 Agency Workforce Report (Report), filed during fiscal year 2023, contained three instances in which the number of employees reported did not agree with Department support. As a result of the incorrect amounts reported in these categories, we noted six instances in which the totals and/or percentages reported were incorrect. Additionally, we noted one instance in which the number of employees in the category was reported correctly, however, the sum reported was not calculated correctly for Total Number of Agency Employees-New Hires. As a result of the incorrect total reported, we noted nine instances in which the percentages reported were incorrect.

The fiscal year 2023 Report, filed during fiscal year 2024, contained one instance in which the number of employees reported did not agree with Department support. As a result of the incorrect amount reported in this category, we noted one instance in which the percentage reported was incorrect.

The State Employment Records Act (Act) (5 ILCS 410/15) requires the Department to collect, classify, maintain, and report accurate data regarding the number of State employees, as required by the Act, on a fiscal year basis to the Office of the Secretary of State and the Governor's Office.

Department management stated the errors noted were due to a change in methodology when collecting data and an error in the spreadsheet used.

Failure to provide complete and accurate Reports prevent fulfillment of the Act's purpose, which is to provide information to help guide efforts to achieve a more diversified workforce and represents noncompliance with the Act. (Finding Code No. 2024-013)

RECOMMENDATION

We recommend the Department improve internal controls to ensure the Reports are accurately prepared. In addition, we recommend the Department file amended fiscal year 2023 and 2024 Reports with the Office of the Governor and the Secretary of State within 30 days after the release of the Compliance Examination report, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

DEPARTMENT RESPONSE

Management agrees with the finding. Due to errors in our software the FY22 report (reported in FY23) included some 75-day employees as contractors and the FY23 report (reported in FY24) included some new hires as a promoted employee. Management will work with the Department's technology division to update the software and fix these errors.

A. **FINDING** (Failure to perform required examination of police and firefighter pension funds)

During the previous engagement, the Department of Insurance's (Department) Public Pension Division (Division) did not perform required examinations of police and firefighters pension funds once every three years as required by the Illinois Pension Code (Code).

During the current engagement, we noted the Department had entered into memorandums of understanding (MOU) with the Police Officer Pension Investment Fund (POPIF) and the Firefighters' Pension Investment Fund (FPIF) transferring the responsibility of the required examinations to the POPIF and FPIF. Additionally, we noted the Code had been amended to allow the Division to accept and rely upon a report of audit or examination of the pension funds made by an independent certified public accountant retained by the POPIF and FPIF. (Finding Code No. 2022-002, 2020-002, 2018-001, 2016-002, 2014-002, 12-2)

B. **FINDING** (Failure to fully utilize the State's Enterprise Resource Planning System)

During the previous engagement, the Department did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) System, which resulted in unnecessary inefficiency. Specifically, it was noted the Department was not using ERP for processing billings, receipts, and receivables.

During the current engagement, we determined the Department was given the option to opt out of using these functions of the ERP system due to the increased functionality of the Department's Accounting Management System (AMS) for Department specific insurance billing, receipts and receivables. The Department provided support both receipts and receivable information is transferred from AMS to the ERP System on a monthly basis, ensuring the ERP System is the State's book of record and allowing for complete transparency. (Finding Code No. 2022-007)

C. **FINDING** (Inadequate controls over the timeliness of approving and denying of insurance and HMO company policy forms)

During the previous engagement, the Department did not maintain adequate controls over the timeliness of approving and denying insurance and Health Maintenance Organization (HMO) company policy forms.

During the current engagement, the Department made significant improvements and substantial action toward implementing a corrective action plan. As such, this matter will be reported in the Department's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2022-011, 2020-003, 2018-002)

D. **FINDING** (Inadequate controls over State vehicles)

During the previous engagement, the Department did not have adequate internal controls over its State vehicles. It was noted two vehicles tested did not undergo periodic oil changes as required, and one of two vehicles tested did not undergo an annual inspection.

During the current engagement, we noted all oil changes and annual inspections were performed on tested vehicles. (Finding Code No. 2022-012, 2020-010)

E. **FINDING** (Failure to submit the annual report of the working group regarding treatment and coverage of substance abuse disorders and mental illness)

During the previous engagement, the Department failed to submit the calendar year 2020 annual report of the Working Group Regarding Treatment and Coverage of Substance Abuse Disorders and Mental Illness to the General Assembly as required by the Illinois Insurance Code (215 ILCS 5/370c.1(h)(2)).

During the current engagement, the Department submitted the calendar year 2022 and 2023 annual reports of the Working Group Regarding Treatment and Coverage of Substance Abuse Disorders and Mental Illness to the General Assembly as required. (Finding Code No. 2022-013)

F. **FINDING** (Noncompliance with the requirements of the Illinois Insurance Code regarding mental health parity)

During the previous engagement, it was noted the Department, in conjunction with the Department of Healthcare and Family Services did not comply with the requirements of the Illinois Insurance Code (215 ILCS 5/370c.1(j) regarding Mental Health Parity. Specifically, the Mental Health Parity Workgroup (Workgroup) lacked two of the 11 required members and the Workgroup did not submit the required recommendations to the General Assembly.

During the current engagement, we noted this section of the Illinois Insurance Code was repealed by Public Act 103-105, effective June 27, 2023, therefore, this finding will not be repeated. (Finding Code No. 2022-014)

G. **FINDING** (Failure to convene education advisory council)

During the previous engagement, it was noted the Department did not comply with the Director of Insurance Hearings and Review Act by not holding required advisory council meetings. In addition, the advisory council did not submit recommendations to the Department regarding rules with respect to course material, curriculum, and credentials of instructors.

During the current engagement, the Department provided documentation meetings conducted by the advisory council were held. In addition, the Department provided documentation of the recommendations sent to the Department from the advisory council regarding rules with respect to course material, curriculum, and credentials of instructors. (Finding Code No. 2022-017)

H. **FINDING** (Failure to timely appoint members to the Task Force on Disability Income Insurance)

During the previous engagement, it was noted the Department's Task Force on Disability Income Insurance did not ensure the timely appointment of its members as mandated by the Illinois Insurance Code (215 ILCS 5/370c.2).

During the current engagement, we noted this section of the Illinois Insurance Code was repealed by Public Act 102-0304 on January 1, 2023, therefore, this finding will not be repeated. (Finding Code No. 2022-019, 2020-011)