

**STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2009

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2009

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**AGENCY OFFICIALS**

**BOARD OF EXAMINERS**

Executive Director (8/1/95 – 2/27/09)\*

Ms. Joanne Vician

Executive Director (1/5/09 – Present)\*

Mr. Russell Friedewald

\*Note: During the time period of 1/5/09 – 2/27/09, the Board had two Executive Directors. To help with the transition process which includes transfer of knowledge of duties, Ms. Vician assisted Mr. Friedewald with these duties before her retirement.

Members of the Illinois Board of Examiners during the period were as follows:

Ms. Claireen L. Herting, CPA, Chair

Ms. Penelope Yunker, CPA

Ms. Myra A. Swick, CPA, Vice-Chair

Mr. Kenneth J. Hull, CPA

Ms. Cheryl S. Wilson, CPA

Ms. Margaret A. Cartier, CPA

Mr. Gary L. Fish, CPA

Mr. Richard J. York, CPA

Board office is located at:

100 Trade Centre, Suite 403  
Champaign, IL 61820-7233



# Illinois Board of Examiners

100 TRADE CENTRE DRIVE • SUITE 403 • CHAMPAIGN, ILLINOIS 61820-7233

## Management Assertion Letter

April 8, 2010

Honorable William G. Holland  
Auditor General  
State of Illinois  
Iles Park Plaza  
740 East Ash  
Springfield, IL 62703-3154

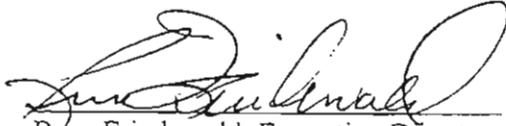
Dear Mr. Holland,

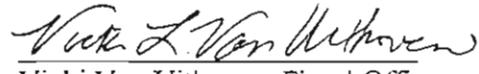
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Board of Examiners (Agency). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2009. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2008, the Board has materially complied with the assertions below.

- A. The Agency 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 Agency 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 Agency 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 Agency 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 Agency on behalf of the State or held in trust by the Agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,  
Illinois Board of Examiners

  
Russ Friedewald, Executive Director

  
Vicki Van Uithoven, Fiscal Officer

## COMPLIANCE REPORT

### SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

### ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

### SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	5	7
Repeated findings	4	2
Prior recommendations implemented or not repeated	3	0

### SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
09-1	9	Inappropriate use of State funds	Significant Deficiency and Noncompliance
09-2	12	Lack of internal controls over contractual services and agreements	Significant Deficiency and Noncompliance
09-3	14	Inadequate controls over Memorandum of Understanding	Significant Deficiency and Noncompliance
09-4	16	Procedural deficiencies	Significant Deficiency and Noncompliance
09-5	19	Board not staffed as required	Noncompliance

PRIOR FINDINGS NOT REPEATED

- |   |    |  |
|---|----|--|
| A | 20 | Inadequate control over the use of Procurement Cards   |
| B | 20 | Insufficient controls over property records            |
| C | 20 | Inadequate controls over the processing of waived fees |

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on April 1, 2010. Attending were:

Board of Examiner

Russ Friedewald, Executive Director  
Vicki Van Uithoven, Assistant Director

Office of the Auditor General

Jane Clark, Audit Manager  
Adanna Nwodu, Audit Supervisor  
Matthew Pfeiffer, Audit Staff  
Cody Bilyeu, Audit Staff

Responses to the recommendations were provided by Russ Friedewald, Executive Director, in a letter dated April 8, 2010.



OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Board of Examiner's (Board) compliance with the 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, 2009. The management of the Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

- A. The Board 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 Board 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 Board 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 Board 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 agency on behalf of the State or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

We conducted our examination 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis,

evidence about the Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2009. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 09-1 through 09-5.

### **Internal Control**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Board's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *deficiency* in an entity's internal control over compliance 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 requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance described in findings 09-1 through 09-4 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or 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.

There were no immaterial findings that have been excluded from this report.

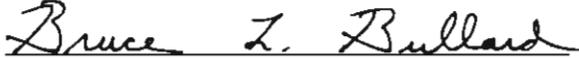
The Board's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Board's responses and, accordingly, we express no opinion on them.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2008 and the 2009 Supplementary Information for State Compliance Purposes, except for Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2007 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

  
BRUCE L. BULLARD, CPA  
Director of Financial and Compliance Audits

April 8, 2010

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2009

09-1. **FINDING** (Inappropriate use of State funds)

The Board of Examiners (Board) did not exercise adequate controls over disbursements. During our testing, we noted the following:

- Three of 40 (8%) disbursements tested, totaling \$3,568, did not have support for the date received; therefore, we could not determine the timeliness of payment. The Illinois Administrative Code (Code) (74 Ill. Adm. Code 900.30) requires an agency to maintain written or electronic records reflecting the date on which the goods were received and accepted or the services were rendered and the proper bill was received by the State agency. Board personnel stated two of the three vouchers were travel vouchers and it is not Board policy to date stamp travel vouchers. The other voucher was due to oversight.
- Seven of 21 (33%) disbursements included \$252 for meals for University of Illinois employees who worked for the Board at headquarters. The Code (80 Ill. Adm. Code 3000.510) states lunch is not a reimbursable expense. The amount for lunch is established for the purpose of setting a per meal ceiling on conference lunches and meals purchased for non-State officers and employees. Board personnel stated meals were paid to University of Illinois employees because it has been past practice for the Board to provide lunch for both Board members and University of Illinois employees who participated in the quarterly Board meetings in Chicago.
- For 21 disbursements tested, two (10%) included purchases of alcohol totaling \$101, six (29%) included \$224 in meals paid for Board guests or Board members' family, seven (33%) included sales tax totaling \$127, and six (29%) included tips totaling \$153. The Code (80 Ill. Adm. Code 3000.600(b)) states alcoholic beverages are non-reimbursable expenses. Additionally, 80 Ill. Adm. Code 3000.630 states meals purchased for non-State employees are reimbursable while on travel status, only if they are on State business. Further, a statement must be attached specifying why and for whom costs were incurred, and certifying the charges do not include alcoholic beverages. The Code (80 Ill. Adm. Code 3000.600(b)) also states tips are non-reimbursable expenses and (86 Ill. Adm. Code 150.330) exempts governmental bodies from paying sales tax on purchases, and requires governmental bodies to obtain an active exemption identification number issued by the Department of Revenue. Board personnel stated the payment of expenditures including alcohol, family members/guests, tips and taxes occurred because one person or a third party paid for the entire expense for a group and a detail review by line item of expense was not performed prior to approval for payment.

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- Seven of 21 (33%) disbursements had incomplete or no receipts maintained for the purchases of flowers and meals totaling \$522. The Illinois State Records Act (5 ILCS 160/8) requires each agency to preserve records containing adequate and proper documentation of transactions of the agency. Board personnel stated the disbursements with incomplete or no receipts occurred because two disbursements were phone orders and others were due to lack of attention to detail in the approval process.

Failure to adequately monitor disbursements for proper documentation, compliance with laws and rules, reasonableness, and accuracy could result in inaccurate payments and inappropriate use of State funds. Incurring unallowable, excessive, and unnecessary expenditures in the conduct of State business results in an inappropriate use of State funds. In addition, failure to document the receipt date may result in late payment of bills to vendors which may result in interest charges owed by the Board, and payment of vouchers without proper supporting documentation could result in improper expenditures. (Finding Code No. 09-1, 07-1)

**RECOMMENDATION**

We recommend the Board strengthen its controls over disbursements to ensure expenditures are reasonable and necessary for State business operations, receipt of vendor invoices are documented, and meal and travel expenditures are in accordance with Travel Regulation Council Rules. We also recommend the Board familiarize themselves and staff with applicable laws and rules, implement controls to ensure compliance with these laws and rules, ensure appropriate use of State funds, and obtain and maintain sufficient documentation for all disbursements.

**BOARD RESPONSE**

The Board agrees with the findings with the following comments:

It is the responsibility of the traveler to submit their expense reports within 30 days of travel and they are reminded of this policy. It is Board procedure to date stamp all documents including invoices received in the mail. The Board will ensure this practice is enforced.

The Board will no longer provide lunch for University of Illinois employees attending the Quarterly Board Meetings.

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As a result of the FY06-FY07 Audit, the practice of one individual paying the dinner bill for several travelers has been eliminated. The last occurrence was February 28, 2008. Now travelers pay for their own meals and are reimbursed for per diem amounts only.

This has eliminated the inappropriate reimbursement for alcohol, family members, tips and sales tax.

Ordering products or services over the phone is highly discouraged and if necessary a faxed or e-mailed invoice must be provided. A more thorough review of supporting documentation has been implemented in the payment approval process to ensure invoice totals can be supported.

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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2009

09-2. **FINDING** (Lack of internal controls over contractual services and agreements)

The Board of Examiners (Board) did not have adequate internal controls over contractual services and agreements. During our testing, we noted the following:

- Two of two (100%) contractual agreements, totaling \$11,880, were not reduced to writing and signed by all parties prior to the beginning of the contract terms. One contract was dated/signed 281 days after the beginning of services and the other contract was not signed and dated. Good business practices require all contracts be reduced to writing and signed by all parties prior to the beginning of the contract term.
- The real property lease, totaling \$71,004 and \$72,594 in FY08 and FY09 respectively, was not filed with the Office of the Comptroller (IOC). The Statewide Accounting Management System (SAMS) (SAMS 15.20.40) states a lease for real property must be filed with the IOC within 15 calendar days after execution for any real property lease exceeding \$10,000.

Board personnel stated one contract was not signed due to a delay in receiving the agreement from the vendor. Once received, it was signed immediately. The second contract was not signed and dated due to oversight. Board personnel also stated the real property lease was not filed because IOC would not accept the lease due to the fact that no agency number existed for the Board of Examiners and IOC has maintained that the Board of Examiners does not meet the criteria for state agencies and will not issue an agency number.

Failure to exercise adequate control over contractual agreements may result in loss of State funds and may subject the State to unnecessary legal risks.

In addition, during the prior period, we noted the Board did not comply with the competitive selection requirements and the real property lease did not contain the required Real Estate Disclosure Forms. In the current period, the Board did not have a contract that exceeded the competitive selection requirement threshold. Furthermore, the Board did not enter into a contractual agreement relating to the ownership or use of real property that would require Real Estate Disclosure Form be completed. (Finding Code No. 09-2, 07-3)

**RECOMMENDATION**

We recommend the Board ensure contractual agreements are reduced to writing and signed by all parties prior to the beginning of the contract terms, and real property leases exceeding \$10,000 are filed with the IOC.

STATE OF ILLINOIS  
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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2009

**BOARD RESPONSE**

The Board concurs with bullet one and will strive to ensure all future contracts are signed and dated prior to beginning date of the contract.

The Board partially concurs with bullet two. When contacted, the Office of the Comptroller could not accept the filing due to the Board of Examiners not having an agency number. Further, the Office of the Comptroller has indicated that no agency number will be issued until the Board's status can be established through a written opinion from the Attorney General.

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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2009

09-3. **FINDING** (Inadequate controls over Memorandum of Understanding)

The Board of Examiners (Board) did not have adequate controls over its Memorandum of Understanding between the Board of Trustees of the University of Illinois (Trustees) and the Board. The Memorandum of Understanding between the Board and the Trustees is for the purpose of conforming services to be provided by and between the Trustees and the Board, and the responsibilities for the administration of examinations and issuance of certificates of certified public accountants (CPA) in Illinois. During testing, we noted the following:

- The Board did not have a Memorandum of Understanding in place for FY09.
- The Memorandum of Understanding for FY08 was signed 621 days after the effective date of the agreement. Furthermore, the agreement was not signed by all Trustees as required.
- The Board did not provide written notice to the Trustees that the Board would execute its own lease and purchase equipment on its own behalf in FY08.

Good business practices require all agreements entered into be approved by all parties involved prior to the execution of the agreement. The Memorandum of Understanding between the Board and the Trustee states until and unless the Board provides written notice otherwise, the Trustees shall continue to execute leases and purchase equipment on behalf of the Board in a manner which is consistent with past practices.

Board personnel stated the Board prepared and submitted the Memorandum of Understanding to the Trustees. However, due to the status of the relationship between the Board and Trustees being uncertain, the Trustees only approved the agreement for FY08. Board personnel further stated they failed to consider the clause regarding executing of lease and equipment purchase.

The Memorandum of Understanding between the Board and Trustees provides the Board with important and necessary resources as well as insurance liability coverage making it an integral part of the Board's operating requirements. Failure to approve and reduce to writing agreements prior to the performance of services may result in loss of State funds and may subject the State to unnecessary legal risks. Furthermore, failure to provide Trustees with written notice that the Board will execute its own leases and purchase equipment on its own behalf may result in duplicate lease agreement and equipment purchases which could result in unnecessary expenditures. (Finding Code No. 09-3)

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**RECOMMENDATION**

We recommend the Board affirm its relationship with the University and implement a Memorandum of Understanding. We further recommend the Board strengthen controls to ensure agreements are approved prior to the effective date. In addition, we recommend the Board provide written notices to the Trustees before executing its own leases and purchasing equipment on its own behalf.

**BOARD RESPONSE**

The Board agrees with bullets one and two. The University has verbally agreed to continue administering the Board of Examiner's funds until such time as an agreement with the University can be developed or until such time as the Office of the Comptroller issues the Board of Examiners an agency number. The University is developing language that would create a working interagency agreement that would allow the two parties to continue a relationship that has existed since 1903.

The Board concurs with bullet three. Per the recommendation, the Board will notify the University that it will execute its own leases and purchase equipment on its own behalf.

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For the Two Years Ended June 30, 2009

09-4. **FINDING** (Procedural deficiencies)

During our testing of the Board of Examiners (Board), we noted the following procedural deficiencies:

- The Board did not prepare and file its Quarterly Reports of State Property (C-15s) by the reporting deadlines. The Board did not file any C-15's in FY08 or FY09. Statewide Accounting Management System (SAMS) (Procedure 29.20.10) requires C-15's to be filed on a quarterly basis and be submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter.
- The Board did not prepare and file a complete property listing to Department of Central Management Services (DCMS). The Illinois Administrative Code (44 Ill. Adm. Code 5010.460) requires agencies to certify completion of an annual physical inventory of State equipment and submit a complete property listing to DCMS.
- The Board did not prepare and submit its annual Fee Imposition Report to the Illinois Office of the State Comptroller (IOC) for FY08 and FY09. The State Comptroller Act (15 ILCS 405/16.2(a)) requires those agencies that impose fees to file the Agency Fee Imposition Report. SAMS (Procedure 33.16.20) defines fees, in relation to the Fee Imposition Report, as all charges by State agencies to citizens and private organizations, and also states the report is due by August 1 of each year.
- One of four (25%) Travel Headquarter Reports (TA-2 forms) was filed 126 days late. In addition, the Board did not prepare and file two of four (50%) TA-2 forms with the Legislative Audit Commission. The State Finance Act (30 ILCS 105/12-3) requires agencies to file a semi-annual report of all its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. Agencies with no officers or employees in this status shall file negative reports.
- The Board did not prepare and file its Report of Receipts and Disbursement for Locally Held Funds (Form C-17) with the IOC for FY08 and FY09. SAMS (Procedure 33.13.20) requires each State agency file C-17 reports on a quarterly basis and submit it to the IOC no later than the last day of the month following the last day of the quarter.

Board personnel stated C-15's, Fee Imposition Reports and TA-2 forms were completed but cannot substantiate that they were submitted to the proper State reporting units. Because the Board lacks an agency number there is no way to verify in existing systems that these reports were received.

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The Board personnel further stated a physical inventory was conducted in 2008 but the results were not reported to the Department of Central Management Services because they did not follow through to identify where to send the results. Board personnel also stated Form C-17 was not prepared by the Board because the funds are held by the University of Illinois and it was assumed they were included with the University's report.

Failure to file the required property reports reduces the reliability of State property information submitted to DCMS and IOC. Failure to file the Agency Fee Imposition Report and C-17 reports reduces the reliability and the accuracy of State-wide financial data maintained by the IOC. Furthermore, failure to prepare and file TA-2 reports could result in unnecessary travel expenditures.

In addition, during the prior period, we noted the Board did not file its Fiscal Control and Internal Auditing Act (FCIAA) certification with the Office of the Auditor General for FY06 and FY07, did not timely prepare and submit accurate Agency Workforce Reports (Reports) to the Office of the Governor or the Office of the Secretary of State during FY06 and FY07, and did not require its only employee to periodically submit time sheets documenting the time spent each day on official State business. In the current period, we noted although the Board did not file its FY08 FCIAA certification, it did timely and appropriately complete its FY09 FCIAA certification and file it with the Office of the Auditor General. We also noted during the current period, the Board prepared and submitted accurate Reports and ensured its only employee periodically submitted time sheets documenting time spent on official State business as required by statute. (Finding Code No. 09-4, 07-7)

**RECOMMENDATION**

We recommend the Board prepare and file the required property reports in accordance with SAMS and the Illinois Administrative Code, submit the annual Fee Imposition Report to IOC by August 1<sup>st</sup> of each year, file semi-annual TA-2 reports or negative reports as required by the State Finance Act, and file its C-17 reports with the IOC no later than the last day of the month following the last day of the quarter.

**BOARD RESPONSE**

The Board agrees with the findings with the following comments:

The Board will complete C-15's, Fee Imposition Reports and TA-2 forms according to the schedules and since we lack an agency number we will include a cover letter with a cc to the Auditor General's office to verify proper filing.

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We have completed a physical inventory for 2010 and will report results to DCMS. We have made contact with the proper reporting person and have been given the required report format.

We will work with the University of Illinois to ensure that our funds are reported on a C-17 form.

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09-5. **FINDING** (Board not staffed as required)

The Board of Examiners (Board) was not staffed at a total of 11 examiners as required by the Illinois Public Accounting Act (Act). During the entire engagement period, the Board was without representation of the two public members and one of nine (11%) Certified Public Accountant (CPA) members required by the Act. In addition, the appointed terms for the eight filled positions had expired between July 2004 and July 2006 and the members continued to serve as allowed by the Act.

The Act (225 ILCS 450/2) states the Governor shall appoint a Board of Examiners that shall determine the qualifications of persons applying for certificates and shall make rules for and conduct examinations for determining the qualifications. The Board shall consist of 11 examiners, including two public members, with the remaining examiners being certified public accountants. The Act further stated any Board member who has served as a member for six consecutive years shall not be eligible for reappointment until two years after the end of the term in which the sixth consecutive year of service occurred.

Board personnel stated they have sent letters annually to the Governor's Office providing a list of nominations for these positions, but the Governor has not yet acted on them.

Board members should be appointed in a timely manner in order to properly formulate the function of the Board as intended. A full Board is necessary to properly conduct meetings and operate effectively and efficiently. Failure to appoint new members to the Board may result in questions regarding the legitimacy of actions taken by Board members whose appointments had expired. (Finding Code No. 09-5, 07-6, 05-1)

**RECOMMENDATION**

We recommend the Board continue to work with the Governor's Office to ensure Board vacancies are filled in a timely manner and new appointments are made for members with expired terms.

**BOARD RESPONSE**

The Board agrees with the finding and will continue to send recommendations to the Governor. Since 2004, when the Governor was given appointment authority, the Board has annually fulfilled its regulatory responsibility by submitting letters of recommendation, resumes and letters of interest for board vacancies to the Director of Boards and Commissions.

STATE OF ILLINOIS  
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**PRIOR FINDINGS NOT REPEATED**  
For the Two Years Ended June 30, 2009

A. **FINDING** (Inadequate control over the use of Procurement Cards)

During the prior period, the Board did not have adequate internal controls over the use of Procurement Cards (P-Cards). We noted the Board did not maintain an adequate segregation of duties regarding P-Card rules and responsibilities. In addition, the Board paid for professional and artistic services with the P-Card, allowed purchased by someone other than the cardholder, allowed P-Card account numbers to be placed on file with vendors, and did not retain proper documentation for P-Card transactions.

During the current period, the Board strengthened their internal controls over the use of P-Cards. We noted the Board segregated the duties over the P-Card, did not pay for professional or artistic services, discontinued the provision allowing P-Card account numbers to be placed on file with vendors, did not allow purchases by anyone other than the cardholder and retained sufficient documentation for P-Card transactions for those selected during testing. (Finding Code No. 07-2)

B. **FINDING** (Insufficient controls over property records)

During the prior period, the Board did not maintain sufficient controls over the timeliness or accuracy of its property control records. We noted the Board did not tag or list four equipment items on its property control records and included an equipment item that had been disposed of in a prior period on its property control records. We also noted the Board listed certain equipment items on the FY05 property control records but did not list these same items on the FY07 property control records, adjusted equipment items but had no documentation for the change, and had obsolete equipment items on its property control records that had not been surplus.

During the current period, the Board strengthened its controls over the timeliness and accuracy of its property control records. (Finding Code No. 07-4)

C. **FINDING** (Inadequate controls over the processing of waived fees)

During the prior period, the Board did not have adequate controls over the processing of waived fees.

During the current period, the Board did not waive fees. Due to procedural changes, the Board now issues refunds for applicants who have overpaid. (Finding Code No. 07-5)

## **SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

### **SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Receipts, Disbursements and Fund Balance (Modified Accrual) – Locally Held Fund
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Analysis of Significant Variations in Receipts

- Analysis of Operations:

- Board Functions and Planning Program
- Average Number of Employees and Board Members
- Memorandum of Understanding
- Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**  
**(MODIFIED ACCRUAL) – LOCALLY HELD FUND**  
 For the Two Years Ended June 30, 2009

	<u>CPA Examination Trust Account</u>
Balance at July 1, 2007	\$ 3,469,157
Board adjustment*	(1)
Revenues:	
Fees	1,320,527
Interest Income	113,593
Expenditures:	<u>1,333,795</u>
Balance at June 30, 2008	<u><u>\$ 3,569,481</u></u>
Balance at July 1, 2008	\$ 3,569,481
Board adjustment*	39
Revenues:	
Fees	1,348,111
Interest Income	44,742
Expenditures:	<u>1,209,422</u>
Balance at June 30, 2009	<u><u>\$ 3,752,951</u></u>

\*The Board adjustment represents corrections made by Board management to the Fiscal Year 2008 and 2009 ending balance.

Note: Modified accrual basis is when revenues are recognized when it becomes available and measurable and expenditures are recognized when liabilities are incurred versus cash basis which recognizes revenues and expenses when cash is actually received or paid.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Two Years Ended June 30, 2009

	Equipment
Balance at July 1, 2007	\$ 178,348
Additions	42
Deletions	25,194
Net Transfers	-
	-
Balance at June 30, 2008	\$ 153,196

	Equipment
Balance at July 1, 2008	\$ 153,196
Additions	26,677
Deletions	2,961
Net Transfers	-
	-
Balance at June 30, 2009	\$ 176,912

Note: The above schedule has been derived from Board records. We were unable to reconcile information in this schedule to the Comptroller's records as the Board did not submit property reports as required. See Finding 09-4.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
 For the Fiscal Years Ended June 30,

CPA Examination Trust Account	<u>2009</u>	<u>2008</u>	<u>2007</u>
Domestic evaluation fee	\$ 412,475	\$ 407,050	\$ 363,650
Foreign evaluation fee	192,275	186,299	182,870
Exam fee-one part	211,120	176,396	134,768
Exam fee-two parts	200,192	195,588	177,615
Exam fee-three parts	51,604	50,544	48,636
Exam fee-four parts	182,952	178,731	171,974
Reciprocal fee	79,225	106,110	111,255
Miscellaneous fees	21,972	22,536	31,311
Investment and other income	<u>44,742</u>	<u>113,593</u>	<u>172,374</u>
 Total Receipts	 <u><u>\$ 1,396,557</u></u>	 <u><u>\$ 1,436,847</u></u>	 <u><u>\$ 1,394,453</u></u>

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2009

Significant variances in receipts were determined to be changes of \$5,000 or more and at least 20% between fiscal years, and are explained below.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2008 AND 2009**

**Reciprocal Fees**

The decrease in reciprocal fees of \$26,885 in FY09 was due to the decrease in volume of candidates applying for reciprocal certification in FY09. In FY08, 307 reciprocal applications were submitted compared to 232 in FY09.

**Investment and Other Income**

The decrease in investment and other income of \$68,851 was due to the decline in interest rates of 3% in FY08 to 1.2% in FY09.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2007 AND 2008**

**Exam Fee – One Part**

The increase in exam fees for one part of \$41,628 was due to an increase in the number of candidate applications taking the exam in sections. In FY07, 3,368 exam applications for one part were processed versus 3,830 in FY08.

**Miscellaneous Fees**

The decrease in miscellaneous fees of \$8,775 was due to the decrease in volume of miscellaneous transactions in FY08. In FY07, 972 miscellaneous transactions were processed versus 683 in FY08.

**Investment and Other Income**

The decrease in investment and other income of \$58,781 was due to the decline in interest rates of 5% in FY07 to 3% in FY08.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**ANALYSIS OF OPERATIONS**  
For the Two Years Ended June 30, 2009

**BOARD FUNCTIONS AND PLANNING PROGRAM**

The Illinois Board of Examiners (Board) was originally established under “An Act to Regulate the Profession of Public Accountants” (Act of 1903) that was passed by the General Assembly of Illinois on May 15, 1903 with an effective date of July 25, 1903. The Act of 1903 was later replaced by the Act of 1943 approved July 22, 1943. The Board currently operates under the authority of the Illinois Public Accounting Act (Act) (225 ILCS 450/0.01 et seq.).

The Illinois Board of Examiners is to be governed by a board of eleven examiners appointed by the Governor, two of which are to be public members. The Act requires the board members to serve three year terms and to continue to serve until successors are appointed (225 ILCS 450/3). The governing board currently has three vacancies including the two public members. As of June 30, 2009 the board members were:

Member

Claireen L. Herting, CPA, Chair  
Myra A. Swick, CPA, Vice-Chair  
Penelope Yunker, CPA  
Cheryl S. Wilson, CPA  
Margaret A. Cartier, CPA  
Gary L. Fish, CPA  
Richard J. York, CPA  
Kenneth J. Hull, CPA

The Board’s responsibilities include:

- The effective administration of applicable provisions of the Illinois Public Accounting Act including the adoption of any necessary and reasonable rules and regulations.
- Adopting a fair and impartial method of determining the qualifications of applicants for the Certified Public Accounting examination and a fair and wholly impartial method of examination of persons under the Act.
- Issuing certificates to holders of a foreign designation, granted in a foreign country entitling the holder thereof to engage in the practice of public accounting provided they meet certain requirements.
- Providing information regarding educational requirements, the application process, the examination, and fees on the Board’s website as well as in printed documents.
- Submitting an annual report of its activities to the Governor and the Director of Professional Regulation that includes a complete operating and financial statement covering its operation during the year, the number of examinations given, and the pass/fail ratio for examinations.
- Charging fees in an amount at least sufficient to defray the costs and expenses incident to the examination and issuance of certificates.

### Planning Program

The Board has developed and maintained a Strategic Plan that is updated periodically as needed (last updated July 2009). The Strategic Plan contains the Board's strategic planning methodology, strategic opportunity statements, goals, objectives and strategies for goal implementation, and the Board's mission statement.

The Board's mission is "To set the educational requirements and to verify, through testing or transfer, candidate qualifications to apply for licensure as Certified Public Accountants in the State of Illinois."

The Board accomplishes this mission through the following goals:

- Promote a Board that is composed of an appropriate balance of professional and public members, and that is accountable to the public and committed to the public interest.
- Obtain assistance to insure updated knowledge of legislative activities affecting the accounting profession and its impact on examination, licensure and enforcement.
- Keep Illinois regulations (rules) current governing the certificate of Certified Public Accountants.
- Maintain open communication channels for effective delivery of information.
- Utilize technology to maximize the efficiency of the processes and enhance the productivity and responsiveness of the organization.
- Continue serving CPA candidates on a timely basis under any disruptive circumstances.
- Create and maintain an effective and efficient financial reporting system.
- Establish a regular and consistent planning process that provides for regular review by Board and staff.
- Influence professional policies through relationships with other organizations.
- Maintain a voice to the profession on Board concerns affecting the examination process for qualification as a Certified Public Accountant.
- Maintain a highly qualified, experienced staff to provide quality services to stakeholders.
- Assure the continuing and effective leadership of the Board.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**AVERAGE NUMBER OF EMPLOYEES**  
For the Two Years Ended June 30,

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Board records, presents the average number of employees and Board Members for the fiscal years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employees	1	1	1
Board Members	8	8	8

In addition, eleven University of Illinois employees work exclusively for the Board in accordance with a Memorandum of Understanding between the Board and the University of Illinois. The Memorandum of Understanding was in effect for FY07 and FY08 and although the Memorandum of Understanding has not been renewed in FY09, these eleven employees continue to work for the Board.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**MEMORANDUM OF UNDERSTANDING**  
For the Two Years Ended June 30, 2009

MEMORANDUM OF UNDERSTANDING

The Illinois Board of Examiners (Board) had a Memorandum of Understanding with the University of Illinois (Trustees) for the purpose of conforming services to be provided by and between the Trustees and the Board, and the responsibilities for the administration of examinations and issuance of certificates of certified public accountants (CPA) in Illinois. The Memorandum of Understanding states: the Trustees shall provide the Board with management, secretarial, clerical, bookkeeping, auditing, legal and other services as the Board deems necessary and/or appropriate for its administration and operations, the Board shall be solely responsible for employment and compensation for the Executive Director of the Board, the Trustees shall provide liability coverage to the Board and the Executive Director at no cost under the University's self-insurance plan, or at the discretion of the trustees at the Board's cost, under a separately purchased liability coverage, or a combination of the two, the Trustees shall, under the Board's request, provide legal services to the Board, Board members, and the Executive Director, the Vice Chancellor for Student Affairs shall be an ex officio, nonvoting member of the Board and shall be notified and consulted concerning matters related to the operations of the Board, and the Executive Director shall be responsible for implementation of personnel decisions and transactions pertaining to staff of the University who perform work for the Board. The Memorandum of Understanding further states that the Board's operating account shall be referred to as the CPA Examination Trust Account and shall be used to reimburse the Trustees for all personnel expenses and other costs attributable to services requested and provided to the Board including fringe benefits normally paid to staff members of the University.

The Memorandum of Understanding was effective for FY08. However, the Memorandum of Understanding was not timely signed by all Trustees before the effective date of the agreement. Furthermore, the Board did not have a Memorandum of Understanding in place for FY09. See finding 09-3.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Two Years Ended June 30, 2009  
(Not Examined)

	2009	2008	2007
<b>Number of applications processed by type</b>			
Foreign credential evaluations	809	814	679
Domestic credential evaluations	2,498	2,428	2,137
First-time candidates for exam	2,706	2,632	2,166
Re-exam candidates from paper and pencil	194	188	243
Re-exam candidates from Computer Based Testing	7,528	7,030	5,164
Reciprocal certificate by substantial equivalency	50	63	81
Reciprocal certificate by education	6	6	13
Reciprocal certificate by experience	2	4	0
Reciprocal certificate by International Qualification Examination	64	141	129
Certification by total transfer of credit	142	116	56
<b>Average pass rates by section</b>			
Auditing (AUD)	53.9%	53.3%	48.9%
Business Environment and Concepts (BEC)	55.9%	55.1%	52.2%
Financial Accounting Reporting (FAR)	55.0%	55.4%	52.7%
Regulation (REG)	56.1%	52.5%	49.5%
Number of candidates that passed the Uniform CPA Exam	1,804	1,537	1,222
Number of certified candidates by Exam	1,720	1,439	1,246
Number of certified candidates by Total Transfer of Credit or Reciprocity	204	273	304