



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS BOARD OF EXAMINERS

**COMPLIANCE ATTESTATION EXAMINATION
For the Two Years Ended: June 30, 2011**

Release Date: May 24, 2012

Summary of Findings:

Total this audit:	6
Total last audit:	5
Repeated from last audit:	4

SYNOPSIS

- The Board did not have adequate internal controls over contractual services and agreements.
- The Board did not have adequate internal controls over its Memorandum of Understanding between the Board of Trustees of the University of Illinois and the Board.
- The Board did not have adequate controls over property reporting.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011**

CPA EXAMINATION TRUST ACCOUNT	2011	2010	2009
Balance at July 1.....	\$ 4,050,009	\$ 3,752,951	\$ 3,569,481
Board Adjustment.....	-	-	39
Receipts			
Fees.....	1,431,690	1,428,228	1,348,111
Interest Income.....	2,437	4,221	44,742
Disbursements.....	1,182,719	1,135,391	1,209,422
Balance at June 30.....	\$ 4,301,417	\$ 4,050,009	\$ 3,752,951
Cost of Property and Equipment.....	\$ 152,015	\$ 153,217	\$ 176,912

SELECTED ACTIVITY MEASURES (Not Examined)	2011	2010	2009
Average pass rates by section			
• Auditing (AUD).....	49.8%	52.4%	53.9%
• Business Environment and Concepts (BEC)..	56.6%	56.1%	55.9%
• Financial Accounting Reporting (FAR).....	50.7%	53.0%	55.0%
• Regulation (REG).....	50.6%	53.4%	56.1%
Number of candidates that passed the Uniform CPA Exam.....	1,821	1,879	1,804
First-time candidates for exam.....	2,844	2,805	2,706

AGENCY DIRECTOR
During Examination Period: Mr. Russ Friedewald
Currently: Mr. Russ Friedewald

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
CONTRACTUAL SERVICES AND AGREEMENTS**

The Board did not have adequate internal controls over contractual services and lease agreements. During testing, we noted the following:

Subcontractor information not included in contract

- For one of three (33%) contracts tested, totaling \$232,700, the Board failed to ensure that subcontractor information was included in the contract awarded by the Board.

Award of contract not published in Procurement Bulletin

- For one of three (33%) contracts tested, totaling \$19,950, the Board failed to ensure the certificate of registration with the State Board of Elections was included in the contract awarded by the Board. In addition, the Board also failed to publish a notice of award for this contract in the Illinois Procurement Bulletin.

Copy of contract not filed with State Comptroller's Office

- For two of three (67%) contracts tested, totaling \$252,650, the Board failed to file a copy of the contract with the State Comptroller's Office.

Real property lease not filed with State Comptroller's Office

- The real property lease, totaling \$72,872 and \$74,263 in Fiscal Year 2010 and Fiscal Year 2011, respectively, was not filed with the State Comptroller's Office. (Finding 1, pages 8-10) **This finding was first reported in 2007.**

We recommended the Board comply with the Illinois Procurement Code by including all required contract content and publishing all contracts that are let or awarded in the Illinois Procurement Bulletin. Further, we recommended the Board file real property leases exceeding \$10,000 with the State Comptroller's Office.

Board agrees with auditors

Board management agreed with our recommendation and stated a checklist will be developed to track contract processing to ensure that all steps are completed as required under the Illinois Procurement Code. (For the previous agency response, see Digest Footnote #1)

**INADEQUATE CONTROLS OVER MEMORANDUM
OF UNDERSTANDING**

Lack of controls over its Memorandum of Understanding

The 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 delineating the 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. We noted the Board did not have a Memorandum of Understanding in place for Fiscal Year 2010 or Fiscal Year 2011 and continued to operate under the memorandum that was executed for Fiscal Year 2008. (Finding 2, pages 11-12) **This finding was first reported in 2009.**

We recommended the Board affirm its relationship with the University and implement a Memorandum of Understanding.

Board disagrees with auditors

Board management disagreed with our recommendation and stated the Board has continually requested the University sign a memorandum of understanding since the last one was signed in Fiscal Year 2008. This matter was discussed at length during a number of Board meetings held during the examination period. The relationship is being terminated, and a transition agreement has been signed by all parties. (For the previous agency response, see Digest Footnote #2)

Auditor's Comment

In an Auditor's Comment, we noted that while the Board is in the process of terminating its relationship with the University of Illinois (University), the issue identified in this finding existed throughout the examination period. The Board relied on the University for certain services critical to the Board's mission and operations, including insurance coverage, yet had no agreement in writing during Fiscal Years 2010 and 2011 to govern this relationship. The absence of a written agreement posed significant potential risk to the Board's ability to conduct day-to-day operations and perform its statutorily mandated duties, as well as created a risk whereby the State may be subject to litigation.

INADEQUATE CONTROLS OVER PROPERTY REPORTING

The Board did not exercise adequate controls over the recording and reporting of its property. We noted the following:

Quarterly Reports of State Property not prepared and filed timely

- The Board did not prepare and file its Quarterly Reports of State Property (C-15s) timely as required. During the examination period, the Board filed 6 of 8 (75%) C-15s between 19 and 176 days late.
- Amounts reported on the Board's C-15s did not trace to the Board's property control records. We noted differences between the beginning balances as of June

30, 2009, additions, deletions, and transfer amounts. We also noted one equipment acquisition during the examination period was not reported on the Board's C-15s or property control records. The net effect of the errors and omissions noted is a \$1,735 understatement. (Finding 6, pages 20-21)

We recommended the Board prepare and file accurate property reports in accordance with the Statewide Accounting Management System.

Board agrees with auditors

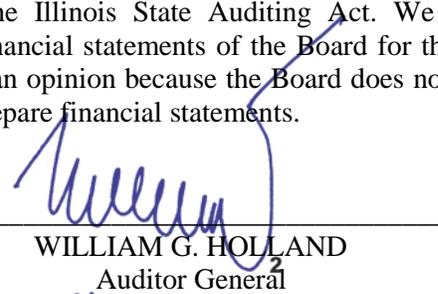
Board management agreed with our recommendation and stated the Board will take immediate action to be sure reports are filed timely and accurately.

OTHER FINDINGS

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

AUDITORS' OPINION

We conducted a compliance examination of the Board as required by the Illinois State Auditing Act. We have not audited any financial statements of the Board for the purpose of expressing an opinion because the Board does not, nor is it required to, prepare financial statements.



WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

This compliance examination was performed by the staff of the Office of the Auditor General.

DIGEST FOOTNOTES

#1 – INADEQUATE INTERNAL CONTROLS OVER CONTRACTUAL SERVICES AND AGREEMENTS – Previous Agency Response

2009: The Board concurs with bullet one and will strive to ensure all future contracts are signed and dated prior to the 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.

#2 – INADEQUATE CONTROLS OVER MEMORANDUM OF UNDERSTANDING

2009: 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.