



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS BOARD OF EXAMINERS

Compliance Examination
 For the Two Years Ended June 30, 2015

Release Date: February 11, 2016

FINDINGS THIS AUDIT: 5	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		15-4, 15-5	
Category 2:	2	3	5	2011		15-1	
Category 3:	0	0	0				
TOTAL	2	3	5				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (15-1) The Board did not ensure it maintained adequate property control records.
- (15-2) The Board failed to establish adequate controls over contracts and leases.
- (15-3) The Board did not exercise adequate controls over the CPA Examination Trust Account.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

CPA EXAMINATION TRUST ACCOUNT	2015	2014	2013
Balance at July 1.....	\$ 4,525,462	\$ 5,018,809	\$ 4,636,893
Receipts			
Fees	1,210,393	1,171,051	1,477,242
Interest Income	15	278	393
Disbursements.....	1,480,681	1,680,639	1,095,719
Adjustments.....	(5,959)	15,963	-
Balance at June 30.....	<u>\$ 4,249,230</u>	<u>\$ 4,525,462</u>	<u>\$ 5,018,809</u>
Total Receipts.....	\$ 1,234,207	\$ 1,189,214	\$ 1,480,611
Average Number of Employees (Not Examined).....	1	1	1

SELECTED ACTIVITY MEASURES (Not Examined)	2015	2014	2013
Average pass rates by section			
• Auditing.....	50.1%	49.2%	49.6%
• Business Environment and Concepts.....	61.8%	62.8%	62.5%
• Financial Accounting Reporting.....	51.5%	49.4%	51.7%
• Regulation.....	51.7%	52.0%	51.2%
Number of candidates that passed the Uniform CPA Exam.....	1,392	1,647	1,474
First-time candidates for exam.....	2,595	2,646	3,195

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

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER STATE
PROPERTY**

The Board did not exercise adequate controls over State property.

During our testing, we noted the following:

Equipment items observed were not recorded on the property listing

- Two of eight (25%) equipment items observed during testing were not recorded on the Board's property listing.

Equipment was not properly marked

- One of eight (13%) equipment items tested was not marked with a unique identification number.

Equipment deletions register was inaccurate

- One of eight (13%) equipment items tested from the deletions register, totaling \$2,600, was still in service and remained on the Board's property listing.

Equipment could not be located

- One of eight (13%) equipment additions tested, totaling \$1,450, was not able to be located. (Finding 1, pages 8-9)
This finding has been repeated since 2011.

We recommended the Board ensure it maintains accurate property records and supporting documentation of all its property transactions.

Board agrees with auditors

Board officials agreed with the recommendation and stated when the office moved from the University of Illinois (U of I) to the Northern Illinois University (NIU), the Board transferred property to the U of I and the record for that transfer was maintained by the Office of the Vice Chancellor for Student Affairs. Board officials further stated once the Board relocated to the campus of NIU, a new property control system was implemented using unique property control identification and maintained by the business manager. *(For previous Board response, see digest footnote #1.)*

**NEED TO IMPROVE CONTROLS OVER CONTRACTS
AND LEASES**

The Board did not establish adequate internal controls over contracts and leases to ensure they contained all the necessary approvals and were filed with the Office of the Comptroller (Comptroller).

During our testing, we noted the following:

Contracts and signature cards were not filed

- Two of four (50%) contracts tested, totaling \$67,248, were not filed with the Comptroller as required. We also noted the Board did not file signature authorization cards with the Comptroller.

Contracts did not contain required elements

- Two of four (50%) contracts tested did not contain all the required elements.
- Two of four (50%) contracts tested did not have the Board's head typed or printed legibly below the signature.

Lease was not filed and did not contain required elements

- The lease agreement between the Board and Northern Illinois University was not filed with the Comptroller and did not contain all the required elements. (Finding 2, pages 10-11)

We recommended the Board improve controls to ensure its contracts and leases are filed with the Comptroller and contain all the required elements and disclosures. In addition, we recommended the Board file signature authorization cards with the Comptroller.

Board agrees with auditors

Board officials agreed with the recommendations and stated they had a maintenance agreement for the main IT system contract that was filed and they mistakenly assumed this was an addendum to that contract. Board officials further stated there was no initial intent on having the second contract exceed the maximum threshold for filing, but delays resulted in exceeding the threshold. In addition, Board officials stated the lease agreement between the Board and Northern Illinois University has now been properly submitted to the Comptroller.

NEED TO IMPROVE CONTROLS OVER CPA EXAMINATION TRUST ACCOUNT

The Board did not exercise adequate controls over the CPA Examination Trust Account (Account).

During our testing, we noted the following:

No support for disbursements

- The Board was unable to provide support for 1 of 40 (3%) disbursements tested, totaling \$1,048.
- The Board could not provide supporting documentation for its \$15,963 adjustment to increase the Fiscal Year 2014 beginning balance of the Account. Additionally, the Board could not support \$259 of the \$5,959 adjustment to decrease the Fiscal Year 2015 beginning balance of the Account.

No support for Account adjustments

No documentation for approval of disbursement refunds

- Two of 23 (9%) disbursement refunds tested, totaling \$690, did not contain documentation of the Director's approval as required.

Travel vouchers were overpaid by \$384

- Two of seven (29%) travel vouchers tested were not in accordance with the Governor's Travel Control Board rules and resulted in overpayments totaling \$384. (Finding 3, pages 12-13)

We recommended the Board strengthen its controls over disbursements and Account accounting to ensure expenditures are reasonable and necessary for State business operations and are in accordance with State law, and adequate supporting documentation is maintained for disbursements and accounting transactions. In addition, we recommended the Board ensure its travel reimbursements comply with applicable rules and obtain reimbursements for the overpayments.

Board agrees with auditors

Board officials agreed with the recommendations and stated the discrepancy for the disbursement of \$1,048 was from a lack of supporting documentation for direct bill travel expense accommodation for temporary help during the office move. Board officials also stated an accounting error was made by failing to bring over all funds from previous fiscal year accounts and reconciliation corrected the error. Likewise, a similar error occurred in FY15. Board officials also stated they agree all refund vouchers must contain the Director's signature and this requirement has been conveyed to the accounting department at Northern Illinois University. In addition, travel vouchers require receipts for all expenses exceeding \$9.99 and procedures are now in place to ensure all receipts are appropriately accounted for.

OTHER FINDINGS

The remaining findings pertain to required information omitted from annual report and failure to implement the Identity Protection Act. We will review the Board's progress toward implementation of our recommendations in our next examination.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Board for the two years ended June 30, 2015, as required by the Illinois State Auditing Act. The accountants stated the Board complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:PH

AUDITORS ASSIGNED

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

DIGEST FOOTNOTE

#1 - NEED TO IMPROVE CONTROLS OVER STATE PROPERTY - Previous Board response

2013: The Board of Examiners agrees with the finding. During the testing period, the Board was in the process of moving offices from Champaign, IL to Naperville, IL and the coordination of the move relating to surplus of inventory was coordinated through the Office of the Vice Chancellor for Student Affairs at the University of Illinois (U of I). Some inventory was left for surplus to the University of Illinois, while the balance of inventory was moved to Naperville on the campus of the Northern Illinois University.

The three items mentioned as missing included a Sonic Wall firewall, a three drawer file cabinet, and a notebook computer with docking station. Following the audit testing and after the findings were concluded, the three items have been located and accounted for. The Sonic Wall firewall was part of the surplus to the University of Illinois. The three drawer file cabinet is a fire proof cabinet currently in storage awaiting transfer to Northern Illinois University for archiving of old records and the notebook is currently in the possession of a contractual employee who has been providing financial records support to the office.

The two items identified as not recorded refers to a small copier and a monitor and that are both a part of the surplus items sent to the University of Illinois and are accounted for on the surplus items listings currently held in the Office of the Vice Chancellor for Student Affairs. This listing will be transferred to our office at the conclusion of our financial relationship, but not later than the end of April 2014.

The Board of Examiners is now in the process of completely revamping our inventory system including a completely new reconciliation process.