

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

For the Two Years Ended June 30, 2015

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

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

BOARD OFFICIALS

Executive Director

Mr. Russell Friedewald

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

Howard Engle, CPA

Claireen Herting, CPA, J.D.

Sheldon Holzman, CPA

James Kelley, CPA

Rhonda Kodjayan, CPA

Sara Mikuta, CPA

Simon Petravick, CPA, PhD

Phyllis Walker

Thomas Winkler, CPA, J.D.

Board Office is located at:

1120 East Diehl Road, Suite 107
Naperville, IL 60563



Illinois Board of Examiners

1120 E. DIEHL ROAD • SUITE 107 • NAPERVILLE, ILLINOIS 60563

Honorable Frank J. Mautino
Auditor General
740 East Ash Street
Springfield, IL 62703

January 12, 2016

Auditor General Mautino:

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 Illinois Board of Examiners. 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, 2015. Based on this evaluation, we assert that during the year(s) ended June 30, 2014 and June 30, 2015, the Board has materially complied with the assertions below.

- 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 Board 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.

Yours truly,

Illinois Board of Examiners

Russ Friedewald, Executive Director

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

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.

ACCOUNTANT'S REPORT

The Independent Accountant's 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>Report</u>	<u>Prior</u> <u>Report</u>
Findings	5	4
Repeated findings	3	2
Prior recommendations implemented or not repeated	1	4

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2015-001	8	Inadequate controls over State Property	Significant Deficiency and Noncompliance
2015-002	10	Inadequate controls over contracts and leases	Significant Deficiency and Noncompliance
2015-003	12	Inadequate controls over Trust Account	Significant Deficiency and Noncompliance
2015-004	14	Required information omitted from annual report	Significant Deficiency and Noncompliance
2015-005	15	Failure to implement the Identity Protection Act	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A 17 Inadequate internal controls over contractual agreements

EXIT CONFERENCE

The Illinois Board of Examiners waived an exit conference in correspondence dated December 23, 2015. The responses to the recommendations appearing in this report were provided by Russ Friedewald, Executive Director, in a letter dated December 23, 2015.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the Illinois Board of Examiners' 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, 2015. The management of the Illinois Board of Examiners is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Board of Examiners' compliance based on our examination.

- A. The Illinois Board of Examiners 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 Illinois Board of Examiners 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 Illinois Board of Examiners 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 Illinois Board of Examiners 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 Illinois Board of Examiners on behalf of the State or held in trust by the Illinois Board of Examiners 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Illinois Board of Examiners' 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 Illinois Board of Examiners' compliance with specified requirements.

In our opinion, the Illinois Board of Examiners complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015. However, the results of our procedures disclosed instances of noncompliance with the requirements, 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 items 2015-001 through 2015-005.

Internal Control

Management of the Illinois Board of Examiners 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 Illinois Board of Examiners' internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 Illinois Board of Examiners' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois Board of Examiners' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 in internal control over compliance* 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over

compliance, as described in the accompanying schedule of findings as items 2015-001 through 2015-005, that we consider to be significant deficiencies.

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

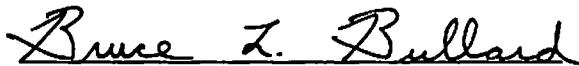
The Illinois Board of Examiners' responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Illinois Board of Examiners' responses and, accordingly, we express no opinion on the responses.

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 for the years ended June 30, 2015 and June 30, 2014 in Schedules 1 through 4 and the Analysis of Operations Section 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 June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 4. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2013 accompanying supplementary information in Schedules 1 through 4 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Illinois Board of Examiners, and agency management 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

Springfield, IL
January 12, 2016

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate control over State Property)

The Illinois Board of Examiners (Board) did not exercise adequate controls over State property.

During our testing, we noted the following:

- Two of eight (25%) equipment items observed during testing were not recorded on the Board's property listing.
- One of eight (13%) equipment items tested was not marked with a unique identification number.
- 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.
- One of eight (13%) equipment additions tested, totaling \$1,450, was not able to be located. Board officials stated the item had been disposed of, but could not provide supporting documentation and had not removed it from the property listing.

The State Property Control Act (30 ILCS 605/4) requires the Board to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. In addition, the Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.210) requires agencies to mark each piece of State-owned equipment in their possession with a unique six digit identification number, and the Code (44 Ill. Adm. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change, or deletion of equipment items. Further, the State Records Act (5 ILCS 160/8) requires agencies to create and preserve records containing adequate and proper documentation of the essential transactions of the agency.

During the prior engagement, Board officials stated the issues noted were mainly attributable to the transition and relocation of the Board's office. During the current engagement, Board officials stated the issues noted were due to newer staff handling property control.

Failure to exercise adequate control over equipment increases the likelihood of inaccurate inventory records and the potential for fraud and possible loss or theft of State property. (Finding Code No. 2015-001, 2013-002, 11-6)

RECOMMENDATION

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

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

BOARD RESPONSE

The Board agrees with the finding. 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. 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. An annual inventory is recorded to ensure accurate property records.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-002. **FINDING** (Inadequate controls over contracts and leases)

The Illinois Board of Examiners (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:

- 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. The Illinois Procurement Code (Code) (30 ILCS 500/20-80(b)) requires contracts exceeding \$20,000 to be filed with the Comptroller within 30 days. The Statewide Accounting Management System (SAMS) (Procedure 15.20.95) requires each agency head to file a signature card with the Comptroller prior to filing a contract or affidavit.
- Two of four (50%) contracts tested did not contain all the required elements. SAMS (Procedures 15.20.30 and 15.20.50) specify the disclosures and items required for contracts.
- Two of four (50%) contracts tested did not have the Board's head typed or printed legibly below the signature. Accounting Bulletin Number 124 requires every contract signatory to have the name and title typed or printed legibly below the signature.
- The lease agreement between the Board and Northern Illinois University was not filed with the Comptroller and did not contain all the required elements. The Code (30 ILCS 500/20-80(b)) requires all leases exceeding \$20,000 to be filed with the Comptroller within 30 days.

Board officials stated they were unaware of all the Code and SAMS requirements for contracts and leases.

Failure to file properly executed contracts and leases with the proper disclosures and elements is noncompliance with SAMS. (Finding Code No. 2015-002)

RECOMMENDATION

We recommend 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 recommend the Board file signature authorization cards with the Comptroller.

BOARD RESPONSE

The Board agrees with the finding. The first contract was a maintenance agreement for the main IT system contract, which was appropriately filed with the State. The Board mistakenly assumed this was an addendum to that contract. The second contract was

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

intended to be a “bridge” contract for business manager services between the time the Board completed service in the University of Illinois system and the move to the Northern Illinois University system. There was no initial intent on having the contract exceed the maximum threshold for filing, but delays in securing the services of a full-time business manager resulted in exceeding that threshold. Both contracts have now been appropriately filed. All appropriate paperwork with future contracts will meet all SAMS requirements.

The lease agreement between the Board and Northern Illinois University with all appropriate SAMS paperwork has now been properly submitted to the Comptroller and annual updates for filing have been scheduled.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-003. **FINDING** (Inadequate controls over Trust Account)

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

During our testing, we noted the following:

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

The State Records Act (5 ILCS 160/9) requires the head of each agency to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds are safeguarded against unauthorized use. Further, the Illinois Public Accounting Act (225 ILCS 450/2) requires Board members to receive reasonable compensation for their necessary, legitimate, and authorized expenses in accordance with the Governor's Travel Control Board rules and the Travel Regulation rules.

Board officials stated the lack of documentation and issues noted were due to new employees' unfamiliarity with all the documentation requirements for the Account. They further stated they were following Northern Illinois University's travel rules for travel reimbursements.

Failure to exercise adequate control over disbursements and accounting transactions increases the likelihood of inaccurate financial records and the potential for possible loss or theft of State funds. (Finding Code No. 2015-003)

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

RECOMMENDATION

We recommend 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, the Board should ensure its travel reimbursements comply with applicable rules and obtain reimbursements for the overpayments.

BOARD RESPONSE

The Board agrees with the finding.

The discrepancy for the disbursement of \$1,048 was from a lack of supporting documentation for direct bill travel expense and accommodation for temporary help during the office move from the University of Illinois at Urbana Champaign to the Northern Illinois University campus building in Naperville, IL. No further direct billing of any accommodation will be made in the future.

An accounting error was made by the previous business manager by failing to bring over all funds from previous FY accounts and reconciliation corrected the error resulting in a \$15,963 increase in the fund. Likewise, a similar error occurred in FY15 resulting in the \$259 decrease. A change has been implemented in the accounting procedures to ensure this type of error will not occur again.

The Board also agrees that all refund vouchers must contain the Director's signature. No refunds are to be processed without the Director's signature and this requirement has been conveyed to the accounting department at Northern Illinois University.

Travel vouchers require receipts for all expenses exceeding \$9.99 and procedures are now in place to ensure all receipts are appropriately accounted for. In one instance, a hotel upgrade was made, resulting in an overpayment. The Director will review all travel vouchers for compliance before submitting to the business manager for processing.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-004. **FINDING** (Required information omitted from annual report)

The Illinois Board of Examiner's (Board) annual reports did not include all required information.

During testing, we noted the Board did not include the number of examinations given or the pass/fail ratio for examinations in its Fiscal Year 2014 or Fiscal Year 2015 annual reports.

The Illinois Public Accounting Act (225 ILCS 450/2) requires the Board to make an annual report of its activities to the Governor and the Secretary of the Department of Financial and Professional Regulation. This report is required to include a complete operating and financial statement covering its operations during the year, the number of examinations given, the pass/fail ratio for examinations, and any other information deemed appropriate.

During the prior period, Board officials stated the missing information was an oversight that will be corrected in future reports. During the current period, Board officials stated they mistakenly failed to include the figures.

Failure to include all required information in the Board's annual report is noncompliance with a State mandate. (Finding Code No. 2015-004, 2013-003)

RECOMMENDATION

We recommend the Board ensure all required information is properly included in its annual report.

BOARD RESPONSE

The Board agrees with the finding. Examination statistics were not included in the FY13 and FY14 annual reports. The FY15 annual report has been filed with the Governor's Office and contains all required information.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-005. **FINDING** (Failure to implement the Identity Protection Act)

The Illinois Board of Examiners (Board) failed to implement all provisions of the Identity Protection Act (Act).

During testing, we noted the Board adopted a privacy policy after the end of the period, but it did not require social security numbers requested from an individual to be provided in a manner that makes the social security number easily redacted if required to be released as part of a public records request. It also did not require, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number to be provided.

The Act (5 ILCS 179) required the Board to draft and approve an identity protection policy by June 1, 2011. Per the Act, the policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During the prior period, Board officials stated they were unaware of the Act and would work to correct the error in the future. During the current period, Board officials stated they worked to implement a policy they believed complied with the requirements of the Act.

Failure to implement all provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 2015-005, 2013-004)

RECOMMENDATION

We recommend the Board develop and approve an identity protection policy as required in the Act.

STATE OF ILLINOIS
BOARD OF EXAMINATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

BOARD RESPONSE

The Board agrees with the finding. An Identity Protection Policy was developed by the Board and reviewed by the Board's attorney prior to implementation. The IT system used by the Board for processing all applications and correspondence included the entire social security number and this was reflected in correspondence to the applicant. A project change request was submitted to the vendor and the program was changed to provide only the last four digits of the social security number with all correspondence.

Staff have been trained and advised of the necessity for security when dealing with personal information of a candidate including the social security number. Social security numbers are collected only for identification purposes and are not included in any correspondence to any third party.

STATE OF ILLINOIS
BOARD OF EXAMINERS
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2015

A. **FINDING** (Inadequate internal controls over contractual agreements)

During the prior examination, the Illinois Board of Examiners (Board) failed to execute written agreements for contractual personnel and written contractual agreements as required.

During the current examination, our sample testing indicated the Board had written and signed personnel agreements and written contractual agreements as required. (Finding Code No. 2013-001, 11-1, 09-2, 07-3)

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

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 Balances (Accrual Basis) -
CPA Examination Trust Account
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts
 - Analysis of Significant Variations in Receipts

- Analysis of Operations (Not Examined):

- Board Functions and Planning Program (Not Examined)
 - Average Number of Employees (Not Examined)
 - Intergovernmental Agreements (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 4. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
(ACCRUAL BASIS) - CPA EXAMINATION TRUST ACCOUNT
For the Year Ended June 30, 2015

	<u>CPA Examination Trust Account</u>
Balance at July 1, 2013	\$ 5,018,809
Revenues:	
Fees	1,171,051
Interest Income	278
Expenditures	(1,680,639)
Adjustments*	<u>15,963</u>
Balance at June 30, 2014	<u><u>\$ 4,525,462</u></u>

	<u>CPA Examination Trust Account</u>
Balance at July 1, 2014	\$ 4,525,462
Revenues:	
Fees	1,210,393
Interest Income	15
Expenditures	(1,480,681)
Adjustments*	<u>(5,959)</u>
Balance at June 30, 2015	<u><u>\$ 4,249,230</u></u>

Note: Accrual basis is when revenues are recorded when earned and expenditures are recorded at the time a liability is incurred.

* Board was unable to provide adequate support for all its adjustments. See finding 2015-003.

STATE OF ILLINOIS
 BOARD OF EXAMINERS
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2015

	<u>Equipment</u>
Balance at July 1, 2013	\$ 181,387
Additions	23,975
Deletions	(1,399)
Net Transfers	(107,201)
Balance, June 30, 2014	<u>\$ 96,762</u>
Balance at July 1, 2014	\$ 96,762
Additions	999
Deletions	(1,450)
Net Transfers	-
Balance, June 30, 2015	<u>\$ 96,311</u>

Note: The above Schedule has been derived from Board records and reconciled to property reports submitted to the Office of the Comptroller.

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

CPA Examination Trust Account	<u>2015</u>	<u>2014</u>	<u>2013</u>
Domestic evaluation fee	\$ 423,970	\$ 350,080	\$ 537,775
Foreign evaluation fee	109,200	95,112	157,588
Exam fee-one part	271,859	327,318	280,440
Exam fee-two parts	171,348	174,648	192,320
Exam fee-three parts	53,028	48,742	54,825
Exam fee-four parts	127,912	121,153	154,404
Reciprocal fee	59,780	56,803	86,751
Miscellaneous fees	17,095	15,080	16,115
Investment and other income	<u>15</u>	<u>278</u>	<u>393</u>
 Total Receipts	 <u><u>\$ 1,234,207</u></u>	 <u><u>\$ 1,189,214</u></u>	 <u><u>\$ 1,480,611</u></u>

STATE OF ILLINOIS
BOARD OF EXAMINERS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

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 2014 AND 2015

Domestic Evaluations:

The increase was due to an increase in exam costs that will take effect in Fiscal Year 2016 and significant exam changes scheduled to occur in Fiscal Year 2017. The increasing exam costs and exam changes motivated candidates to start the exam process.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2013 AND 2014

Domestic & Foreign Evaluations, Four-Part Exam Fees, and Reciprocal Fees:

The decrease was mainly due to a rule change which took effect in Fiscal Year 2014. The rule change increased the number of hours needed to sit for the exams.

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Not Examined)

Board Functions

The 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 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 holders 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.”

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Not Examined)

The Board accomplishes this mission through the following goals:

- Promote a Board that is composed of an appropriate balance of professional and public members, accountable to the public and committed to the public interest.
- Obtain assistance to ensure 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 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, 2015
(Not Examined)

The following table, prepared from Illinois Board of Examiners (Board) records, presents the average number of employees and Board Members for the Fiscal Years ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employees	1	1	1
Board Members	9	11	11

In addition, 11 university employees worked exclusively for the Board in accordance with its intergovernmental agreements during the examination period.

STATE OF ILLINOIS
BOARD OF EXAMINERS
INTERGOVERNMENTAL AGREEMENTS
For the Two Years Ended June 30, 2015
(Not Examined)

INTERGOVERNMENTAL AGREEMENTS

Northern Illinois University

The Board of Examiners (Board) has an intergovernmental agreement with the Board of Trustees of the University of Northern Illinois (NIU Trustees) for the purpose of defining and designating services to be provided by and between the NIU Trustees and the Board, and the responsibilities for the administration of examination and issuance of certificates of certified public accountants in Illinois.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2015
(Not Examined)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Number of applications processed by type			
Foreign credential evaluations	435	415	597
Domestic credential evaluations	2,419	2,173	3,072
First-time candidates for exam	2,595	2,646	3,195
Re-exam candidates from paper and pencil	34	33	58
Re-exam candidates from computer based testing	8,178	8,391	8,398
Reciprocal certificate by substantial equivalency	4	6	23
Reciprocal certificate by International Qualification Examination	50	53	95
Certification by total transfer of credit	66	66	91
Average pass rates by section			
Auditing (AUD)	50.1%	49.2%	49.6%
Business Environment and Concepts (BEC)	61.8%	62.8%	62.5%
Financial Accounting Reporting (FAR)	51.5%	49.4%	51.7%
Regulation (REG)	51.7%	52.0%	51.2%
Number of candidates that passed the Uniform CPA Exam	1,392	1,647	1,474
Number of certified candidates by Exam	1,631	1,595	1,557
Number of certified candidates by total transfer of credit or reciprocity	143	145	214