



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**BOARD OF EXAMINERS**

Compliance Examination  
For the Two Years Ended June 30, 2017

Release Date: November 1, 2018

FINDINGS THIS AUDIT: 6	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2015	17-01	17-03	
Category 2:	2013		17-05, 17-06	
Category 3:	2011		17-04	
TOTAL				

	New	Repeat	Total
Category 1:	1	1	2
Category 2:	0	4	4
Category 3:	0	0	0
TOTAL	1	5	6

FINDINGS LAST AUDIT: 5

**SYNOPSIS**

- (17-01) The Board lacked adequate internal control over financial transactions within the CPA Examination Trust Fund.
- (17-02) The Board lacked adequate control over its employees' timekeeping and accrued benefit time.

**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.}

**BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017**

<b>CPA EXAMINATION TRUST ACCOUNT</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Balance at July 1.....</b>	<b>\$ 4,079,414</b>	<b>\$ 4,249,229</b>	<b>\$ 4,519,503</b>
Revenues.....	\$ 1,180,009	\$ 1,245,808	\$ 1,210,408
Expenses.....	<u>1,167,935</u>	<u>1,415,623</u>	<u>1,480,682</u>
<b>Balance at June 30.....</b>	<b><u>\$ 4,091,488</u></b>	<b><u>\$ 4,079,414</u></b>	<b><u>\$ 4,249,229</u></b>
<b>Average Number of Employees (Not Examined).....</b>	<b>1</b>	<b>1</b>	<b>1</b>

<b>SELECTED ACTIVITY MEASURES (Not Examined)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Average pass rates, by section			
• Auditing.....	47.58%	50.95%	50.1%
• Business Environment and Concepts.....	60.85%	62.83%	61.8%
• Financial Accounting Reporting.....	48.22%	48.60%	51.5%
• Regulation.....	50.66%	52.23%	51.7%
Number of candidates that passed the Uniform CPA Exam.....	1,596	1,589	1,392
First-time candidates.....	2,894	2,967	2,595

<b>EXECUTIVE DIRECTOR</b>
During Examination Period: Mr. Russ Friedewald
Currently: Mr. Russ Friedewald

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER THE CPA  
EXAMINATION TRUST FUND**

The Board lacked adequate internal control over financial transactions within the CPA Examination Trust Fund (Fund).

During the examination period, all of the Board's transactions within the Fund, a non-shared enterprise fund, were processed by accounting personnel at Northern Illinois University (University).

During testing, we noted the following:

- During testing of 60 disbursements from the Fund, we noted the following problems:
  - For 50 (83%) disbursements tested, totaling \$186,118, we noted the Board did not retain documentation of management's approval for paying the vendor's invoice.
  - Ten (17%) disbursements tested were for travel reimbursements. We noted the following problems:
    - Five of the ten (50%) travel disbursements tested, totaling \$8,004, did not have approval from the Governor's Office of Management and Budget (GOMB) prior to the individual travelling outside of the State.
    - Two of the ten (20%) travel disbursements tested, totaling \$174, were not calculated using the correct mileage reimbursement rate, which resulted in an overpayment of \$13.
    - One of the ten (10%) travel disbursements tested, totaling \$306, included reimbursement for lodging charges in excess of the allowable rate by \$19 where the traveler did not attempt to contact other hotels and motels to find an available room offered at an allowable rate. Further, we did not note approval by the Governor's Travel Control Board to allow the Board to reimburse the traveler for these additional incurred costs.
- For 2 of 40 (5%) P-Card (essentially a credit card) disbursements tested, totaling \$145, the Board did not have documentation to support proper approval was obtained for the purchase.

**Disbursements not approved by  
management for payment**

**Out-of-State travel not approved**

**Incorrect mileage reimbursement  
rate used**

**Lodging charges in excess of the  
allowable rate**

**Lack of approval documentation**

**Date when receipts received was not recorded**

- The Board did not retain documentation for 4 of 40 (10%) receipts tested, totaling \$1,590, of the date when the Board received the receipt. As such, we were unable to determine whether the Board was in compliance with the Public Funds Deposit Act (30 ILCS 225/1), which requires the Board deposit public funds collected and invest those proceeds, provided they are not needed for immediate disbursement, at prevailing rates or better within two working days. (Finding 1, pages 10-13)

**Unable to determine whether the Board was in compliance with the Public Funds Deposit Act**

We recommended the Board take action to strengthen its internal controls over its disbursements and receipts to ensure all transactions comply with all applicable laws, rules, and regulations, are properly supported by documentation retained by the Board for the entire duration of the records retention period established by the State Records Commission, and are authorized by management. In addition, we recommended the Board seek to recoup noted overpayments.

**Board officials partially agree**

Board officials generally agreed with our recommendations.

### **INADEQUATE CONTROL OVER PERSONAL SERVICES**

The Board lacked adequate control over its employees' timekeeping and accrued benefit time.

**Executive Director is sole employee**

The Executive Director is the Board's sole employee, as all other staff members are employees of Northern Illinois University (University) working on behalf of the Board pursuant to an intergovernmental agreement. During our examination, we attempted to test the Executive Director's accrued benefit time balances and usage records. Initially, we held discussions with the Board's Business Manager, who informed us the Board follows the timekeeping policies established by the University. Under these policies, the Executive Director has been classified as a Salaried/FLSA Exempt employee. In accordance with University policy for Salaried/FLSA Exempt employees, the Executive Director would have earned:

- 1) 27 vacation days each year, which may be accrued up to a maximum of two years' worth of vacation days at any given time;
- 2) bereavement leave of up to three days per death without charge against accrued vacation or sick time; and,
- 3) sick leave at a rate of one work day per month without a maximum accrual limitation.

During our performance of this testing, we noted the following:

**Board did not follow the correct personnel policies**

- The Board has informally adopted the University’s personnel policies, as opposed to using the personnel policies promulgated by the Governor. Under the Governor’s policies, the Board’s Executive Director would have earned:
  - 15 vacation days each year, with the loss of vacation time not used within 24 months after the expiration of the calendar year when the vacation time was earned;
  - three personal days off each calendar year with pay, which do not accumulate for use in subsequent calendar years; and,
  - sick leave at a rate of one work day per month without a maximum accrual limitation.
- The Board lacks sufficient timekeeping documentation for the Executive Director as required by the State Officials and Employees Ethics Act. We noted the following:

**Lack of support for usage of benefit time**

- The Board does not have documentation supporting the Executive Director’s usage of benefit time, as the Executive Director does not file benefit time usage forms with either the University or the Board. During discussions with the Executive Director, he stated he does not report benefit time usage because he knows he uses less than what he has accrued during his time at the Board.

**Timesheets did not reflect actual time spent working for the Board**

- The Executive Director’s timesheets do not accurately reflect his time spent working for the Board. We noted the Executive Director reported the same number of working hours worked each weekday, without noting any benefit time usage and no hours worked on the weekends. We obtained a calendar maintained by the Board which showed (1) normal business days when the Executive Director was out of the office using benefit time and (2) weekend days when the Board’s Executive Director was noted working.

**No records maintained showing accruals of vacation and sick time**

- The Board does not maintain records showing the Executive Director’s accruals of vacation and sick time. As a result, we were unable to assess the accuracy of the Executive Director’s accrued benefit time.

**Lack of written policies concerning benefit time**

- The Board does not have written policies concerning requesting, approving, or using benefit time.

Due to these conditions, we were unable to conclude whether the population of the Executive Director's accrued benefit time records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Board's benefit time accruals. (Finding 2, pages 14-16)

We recommended the Board take action to ensure its personnel policies comport with State law, timesheets are accurately prepared, and accurate benefit time accruals are prepared based off of proper supporting documentation which is retained for the duration of the record retention period.

**Board officials agree**

Board officials agreed with the finding.

**OTHER FINDINGS**

The remaining findings pertain to internal control deficiencies within the Board's contracts and property, noncompliance with statutory reporting requirements, and failure to fully implement the Identity Protection Act. We will review the Board's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2017-001 and 2017-002. Except for the noncompliance described in these findings, the accountants stated the Board complied, in all material respects, with the requirements described in the report.

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

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM: APA