



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS COMMERCE COMMISSION

State Compliance Examination
 For the Two Years Ended June 30, 2021

Release Date: May 18, 2022

FINDINGS THIS AUDIT: 9	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2013	21-01		
Category 2:	2	5	7	2019	21-02	21-03, 21-04, 21-06, 21-07	
Category 3:	0	0	0				
TOTAL	2	7	9	2019		21-05	
FINDINGS LAST AUDIT: 9							

SYNOPSIS

- (21-01) The Commission lacked adequate control over its accounts receivable.
- (21-02) The Commission did not maintain adequate controls over monthly reconciliations.
- (21-06) The Commission failed to determine the projected surplus (deficit) on a budgetary cash basis of the Public Utility Fund during the specified timeframe.

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.

**ILLINOIS COMMERCE COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

EXPENDITURE STATISTICS	2021	2020	2019
Total Expenditures.....	\$ 40,930,167	\$ 39,127,900	\$ 40,965,449
OPERATIONS TOTAL.....	\$ 39,123,022	\$ 37,300,124	\$ 38,277,245
% of Total Expenditures.....	95.6%	95.3%	93.4%
Personal Services.....	18,958,691	18,425,340	18,495,141
Other Payroll Costs (FICA, Retirement).....	16,276,336	15,234,874	15,279,814
All Other Operating Expenditures.....	3,887,995	3,639,910	4,502,290
AWARDS AND GRANTS.....	\$ 1,775,560	\$ 1,824,013	\$ 2,684,755
% of Total Expenditures.....	4.3%	4.7%	6.6%
REFUNDS.....	\$ 31,585	\$ 3,763	\$ 3,449
% of Total Expenditures.....	0.1%	0.0%	0.0%
Total Receipts.....	\$ 27,087,126	\$ 29,320,041	\$ 34,011,640
Average Number of Employees.....	202	200	207

EXECUTIVE DIRECTOR
During Examination Period: Mr. Jim Zolnierek (Interim) (07/01/19 to 11/15/19), Ms. Christy George (11/16/19 to 02/15/21), Mr. Jim Zolnierek (Interim) (02/16/21 to 03/15/21), Mr. Michael Merchant (effective 03/16/21)
Currently: Mr. Michael Merchant

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Commission lacked adequate control over its accounts receivable. As of June 30, 2021, the Commission reported accounts receivable of \$43.8 million (net of estimated uncollectible accounts, totaling \$23.7 million) to the Office of Comptroller.

Inadequate Collection Attempts

During testing, we noted the Commission did not make adequate collection attempts for 36 of 60 (60%) accounts receivable tested. We noted the following:

Accounts receivable not referred to the Debt Collection Bureau

- 36 (60%) of the tested accounts, totaling \$17,894,992, were not referred to the Department of Revenue’s Debt Collection Bureau.

Accounts receivable not referred to the Comptroller’s Offset System

- 36 (60%) of the tested accounts, totaling \$17,894,992, were not referred to the State Comptroller’s Offset System.

Uncollectible accounts not referred for write-off to the Attorney General

Uncollectible Accounts Not Referred for Write-Off

During testing of 60 accounts receivable, we noted 18 (30%) accounts, totaling \$16,430,940, appeared to be uncollectible; however, the Commission had not referred these accounts to the Office of the Attorney General for certification the debt was uncollectible.

Accounts Receivable Not Properly Supported

Accounts Receivable Not Properly Supported

- During testing of 60 accounts receivable, the Commission was unable to provide supporting documentation for 5 (8%) account samples, totaling \$25,082.
- During our review of the *Quarterly Summary of Accounts Receivable – External Collections Activity for Accounts Over 180 Days Past Due* (FormC-99) Reports as of June 30, 2020 and 2021, the Commission was unable to provide documentation to support the Accounts with the Attorney General’s Office, totaling \$315,000, and Accounts with Private Collection Firms, totaling 636,000.

Internal procedures conflict with State law

Internal Procedures Conflict with State Law

During testing, we noted § 6(B)(2) of the Commission’s internal procedures conflicts with the Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(c-1)) and the Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.20). While the procedures of the Commission call for all

debts greater than \$1,000 and more than 90 days old to be placed into the State Comptroller's Offset System, the Act and SAMS Manual require all debts over \$250 and more than 90 days past due to be placed in the State Comptroller's Offset System. (Finding 1, pages 11-13) **This finding has been repeated since 2013.**

We recommended the Commission pursue all reasonable and appropriate measures to collect on outstanding debts as required by State laws and regulations. Further, we recommended the Commission report uncollectible amounts to the Attorney General. Finally, we recommended the Commission retain documentation to support accounts receivable balances and ensure its internal procedures comport with State law.

Commission officials agreed

Commission officials agreed with the finding and stated they will review their processes to ensure (and affirm with staff the importance of) proper controls over accounts receivable. Additionally, Commission officials stated progress is currently being made towards disposition of the specific accounts noted above.

INADEQUATE CONTROLS OVER MONTHLY RECONCILIATIONS

The Commission did not maintain adequate controls over monthly reconciliations. The Commission expended \$39.1 million and \$40.9 million from five funds in Fiscal Years 2020 and 2021, respectively. The Commission collected total revenues of \$29.3 million and \$27.4 million which were deposited into four funds in Fiscal Years 2020 and 2021, respectively.

During testing of the Commission's monthly reconciliations, we noted the following:

Monthly reconciliations of Commission records to Comptroller records not performed

- Three of 30 (10%) monthly reconciliations of the Commission's internal records to the Office of Comptroller's *Monthly Appropriation Status Report* (SB01) were not performed.
- Fifteen of 15 (100%) monthly reconciliations of the Commission's internal records to the Office of Comptroller's *Object Expense/Expenditures by Quarter Report* (SA02) were not performed during Fiscal Year 2020.
- Fifteen of 30 (50%) monthly reconciliations of the Commission's internal records to the Office of Comptroller's *Monthly Appropriation Transfer Report* (SB03) were not performed.

- Eight of 30 (27%) monthly reconciliations of the Commission’s internal records to the Office of Comptroller’s SB03 were not initialed and dated. As a result, we were unable to determine whether the reconciliation was timely performed.
- Twenty-four of 24 (100%) monthly reconciliations of the Commission’s internal records to the Office of Comptroller’s *Cash Report* (SB05) were not performed.
- Twelve of 15 (80%) monthly reconciliations of the Commission’s internal records to the Office of Comptroller’s *Agency Contract Report* (SC-14) were not performed in Fiscal Year 2020.
- Three of 15 (20%) monthly reconciliations of the Commission’s internal records to the Office of Comptroller’s *Obligation Activity Report* (SC-15) were not performed in Fiscal Year 2020.
- One of 15 (7%) monthly reconciliations of the Commission’s internal records to the Office of Comptroller’s SC-14 or SC-15 were not performed in Fiscal year 2021. (Finding 2, pages 14-15)

We recommended the Commission ensure all required monthly reconciliations are performed, documented, and reviewed timely.

Commission officials agreed

Commission officials agreed with the finding and stated additional resources have been added to the Administrative Services Division and the Commission is working to automate the required components within the accounting system to enable the completion of noted monthly reconciliations.

NONCOMPLIANCE WITH THE PUBLIC UTILITIES ACT

The Commission failed to determine the projected surplus (deficit) on a budgetary cash basis of the Public Utility Fund (Fund) during the specified timeframe.

Projected surplus (deficit) determined in wrong month

During testing, we noted the Commission failed to determine the Fund’s projected surplus (deficit) during the months of October 2019 and 2020. The Commission instead determined required amounts in June 2019 and 2020. (Finding 6, pages 25-26)

We recommended the Commission comply with State law as written or seek a legislative remedy to change the month during which these amounts are to be determined.

Commission officials disagreed

Commission officials disagreed with the finding and provided the following response.

The Commission disagrees with the finding as the requirement is directory rather than mandatory and would frustrate the law. The Commission entered its Order in Docket No. 18-0375 on May 31, 2018, concluding the “docketed proceeding” referred to in 220 ILCS 5/2-202(i-5). In its Order, the Commission found that the provision purportedly requiring that the Commission make the determinations in question in October of each year was: (a) consistent with Illinois caselaw, directory rather than mandatory, such that the Commission could lawfully fix a different date for apportionment by its Order; (b) only applied by its terms to any assessments conducted prior to the conclusion of the docketed proceeding; and (c) would, if followed, frustrate legislative intent. The Commission ordered that apportionment would in future be made on June 30 of each year. This language change is currently moving through legislative approval and is expected to be signed before June 30, 2022.

Accountant’s Comment

In an accountant’s comment we stated as legislative post-auditors, and as stated in the prior examination, our responsibility is to test the Commission's compliance with State law as written. The plain language of the Act requires the Commission to make this determination in October. Additionally, as the Fund's beginning budgetary basis balance is not known until after all of the closing fiscal year's Lapse Period transactions have been recorded, attempts to ascertain this balance must rely upon estimates and not actual results typically known by October. These estimates hinder the precise calculation of the beginning balance, as such precision would not have been possible in June or July because of the inherent limitations in the accounting measurement process. We continue to recommend the Commission comply with State law as written, or seek a legislative remedy.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over receipts, personal services, state vehicles, noncompliance with the Collateral Recovery Act, failure to provide proper notification of impending expiration of licenses and recovery permits, and failure to ensure reports filed as required. We will review the Agency’s progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Agency for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2021-001 and 2021-002. Except for the noncompliance described in these findings, the accountants stated the Commission complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Adelfia LCC.

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:JAC