



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS LIQUOR CONTROL COMMISSION**

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

Release Date: March 17, 2022

FINDINGS THIS AUDIT: 12	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:	5	0	5	* First State Compliance Examination of the Commission
Category 2:	7	0	7	
Category 3:	0	0	0	
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>12</b>	
<b>FINDINGS LAST AUDIT: *</b>				

**INTRODUCTION**

The Illinois Liquor Control Commission (Commission) was established pursuant to the Illinois Liquor Control Act of 1934 (235 ILCS 5). Effective July 1, 2019, Public Act 100-1050 separated the Commission from the Illinois Department of Revenue making the Commission an independent agency. All the powers, duties, rights, and responsibilities that were related to the Commission established under Executive Order No. 2003-9 were transferred to the newly independent Commission.

**SYNOPSIS**

- **(21-02)** The Commission did not maintain adequate controls over receipts.
- **(21-03)** The Commission did not maintain adequate controls over its reporting and monitoring of State Property.
- **(21-04)** The Commission did not maintain adequate controls over various aspects of its personal services function.

**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.



## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### INADQUATE CONTROLS OVER RECEIPTS

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over receipts

**Irreconcilable differences of \$567,936 and \$147,974 receipt records for FY 20 and FY 21, respectively**

According to Commission records, the Commission collected total revenues of \$16.6 million and \$17.5 million which were deposited into the General Revenue Fund (Fund 001) and the Dram Shop Fund (Fund 821) during Fiscal Years 2020 and 2021, respectively. However, as discussed in Finding 2021-005, we noted irreconcilable differences of \$567,936 and \$147,974 between the Commission's receipt records and the Office of Comptroller's Monthly Revenue Status Report (SB04) reports as of June 30, 2020 and June 30, 2021, respectively.

Due to these conditions, we were unable to conclude whether the Commission's population 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 Commission's receipts.

*Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole*, we performed testing and noted the following deficiencies:

- During testing of 60 receipts collected and deposited during the examination period, we noted 39 (65%) receipts tested, totaling \$170,725, were deposited between 1 and 91 days late.
- During testing of 60 receipts collected and deposited during the examination period, we noted that for one (2%) receipt tested, totaling \$750, the Commission was unable to provide a copy of the Treasurer's Draft and Receipts Deposit Transmittal (RDT) (C-64) form used to process the receipt into the State Treasury. Therefore, we were unable to determine if the Commission timely remitted the draft and RDT to the Office of Comptroller for the related receipt to be ordered into the appropriated funds.
- During our testing of non-sufficient funds (NSF) transactions processed by the Commission during the examination period, the Commission was unable to provide supporting documentation for all the 60 NSF transactions selected for testing. As such, we were not able to determine if the licenses related to the 60 NSF transactions were canceled or revoked until alternative payments were received, and if the alternative

**Commission unable to provide support for all 60 NSF checks selected for testing**

payments were timely deposited by the Commission. During the examination period, the Commission processed 348 NSF checks. (Finding 2, pages 14-16)

We recommended the Commission establish adequate controls over the receipts process to ensure timely deposit of receipts and to maintain documentation to support receipts and NSF transactions.

**Commission agreed with finding**

Commission officials agreed with the finding and stated it has implemented a schedule in case of any event that prohibits either location from being open to where a responsible party will oversee collecting mail and making timely deposits. Commission officials further stated all NSF transactions will be documented by the Commission, as it is the Commission's belief that the receipts that were unaccounted for were processed during the transitional period of the Commission becoming its own agency.

**INADEQUATE CONTROLS OVER STATE PROPERTY**

The Commission did not maintain adequate controls over its reporting and monitoring of State Property

Specifically, we noted the following:

- Eight of 8 (100%) quarterly Agency Report of State Property (Form C-15) were submitted by the Commission to the Office of Comptroller on August 10, 2021 after we notified the Commission of the requirement to file the quarterly Form C-15s. As a result, the Commission's Fiscal Year 2020 and 2021 Form C-15s ranged between 10 and 648 days late.
- The Commission submitted its Annual Inventory Certification for Fiscal Years 2020 and 2021 to the Department of Central Management Services (DCMS) 49 and 44 days late, respectively
- The Commission submitted its Fiscal Year 2021 Annual Real Property Utilization Report to DCMS 11 days late.
- One of 2 (50%) equipment vouchers tested, totaling \$1,252, purchased on September 3, 2020, was not tagged nor added to the Commission's property listing as of June 30, 2021. After notifying the Commission of the error on September 29, 2021, the Commission subsequently tagged the equipment item, and added it to the Commission's property listing.
- During list to floor testing, we noted 3 of 6 (50%) equipment items selected for testing, totaling \$2,596, were considered obsolete and transferable. However, the items remained on the Commission's property records, and the Commission had not reported the items

**Form C-15s filed between 10 and 648 days late**

**50% of equipment items selected for test were considered obsolete and transferable**

to DCMS for possible disposal through the surplus process. (Finding 3, pages 17-19)

We recommended the Commission improve its controls over State property to ensure 1) required property reports are prepared and submitted timely, 2) equipment purchases are tagged, recorded and reported timely, and 3) obsolete and transferable properties are timely identified, deleted from property listing, and reported to DCMS, to comply with State laws and regulations.

**Commission agreed with finding**

Commission officials agreed with the finding and stated it has assigned an asset manager that maintains records on all assets incoming and outgoing. Commission officials further stated inventory audits will be conducted at the time of submission for the C-15 forms each quarter.

**INADEQUATE CONTROLS OVER PERSONAL SERVICES**

The Commission did not maintain adequate controls over various aspects of its personal services function. Specifically, we noted issues with the Commission's personnel reporting requirements, employee training requirements, employee performance evaluations, attendance records, and inaccurately calculating payroll deductions and withholdings.

During testing, we noted the following:

- For Statement of Economic Interest (SOEI) reporting, we noted:
  - The Commission did not submit a certification of persons required to file SOEIs with the Secretary of State (SOS) for Fiscal Year 2020.
  - The Ethics Officer did not review all SOEIs and disclosure forms submitted by Commission officers, senior employees, and contract monitors prior to filing them with the SOS for Fiscal Years 2020 and 2021.
  - Six of 10 (60%) Commission members or employees tested who were required to file SOEIs did not file them in Fiscal Year 2020, and 3 of 10 (30%) Commission members or employees tested who were required to file SOEIs did not file for them in Fiscal Year 2021.
- For the Commission's Fiscal Year 2020 Agency Workforce Report, we noted:
  - The data and statistical percentages for 7 of 16 (44%) employee category groups presented in the report did not agree with the Commission's supporting documentation.

**Failure to submit FY20 SOEI certification listing, did not review SOEIs, and Commission members did not file SOEIs as required**

**Failure to accurately and timely file Agency Workforce Reports**

- The Commission submitted the report to the Governor's Office and the Secretary of State 146 days and 153 days late, respectively.
- For detailed testing of five employees, we noted:
  - For 3 (60%) of the employees tested, 2 of the employees' initial sexual harassment prevention training were not completed within 30 days after commencement of employment (5 and 289 days late) and 1 (20%) employee did not complete the initial sexual harassment prevention training.
  - Two (40%) of the employees tested did not complete their initial ethics training within 30 days after commencement of employment (5 and 22 days late).
  - One of 7 (14%) employee performance evaluations tested was completed 214 days after the employee's anniversary date.
  - The Commission did not maintain the daily time reports of two (40%) employees for two pay periods tested.
  - In addition, 5 of 8 (63%) daily time reports of two (40%) employees did not have the related overtime requests approved in advance. The overtime requests were approved 5 to 11 days late.
  - The Commission incorrectly calculated the withholding of federal taxes for 4 (80%) employees tested. As a result, the Commission overpaid the federal government a net amount of \$2,357 for Fiscal Year 2020 and underpaid a net amount of \$1,122 for Fiscal Year 2021 in relation to the salary of the four employees. (Finding , pages 20-25)

**Failure to timely conduct sexual harassment and ethics training**

**Failure to maintain, review, and approve supporting details of employee daily time reports**

**Incorrect calculation of employees' federal tax withholding**

We recommended the Commission strengthen its controls over personal services to ensure all Commission employees required to file a SOEI do so; SOEIs are appropriately reviewed by the Commission's Ethics Officer prior to them being filed with the SOS; Commission management reviews and certifies the list of employees required to file SOEIs as of the date established by State law; Agency Workforce Reports are prepared accurately and timely in accordance with State law; Commission employees timely complete the required sexual harassment prevention training and ethics training; performance evaluations are completed timely; accurate attendance records are retained; overtime is adequately reviewed and approved prior to the employee performing services; and payroll deductions are accurately prepared and reviewed prior to submitting payroll vouchers to the Office of Comptroller for payment.

**Commission agreed with finding**

Commission officials agreed with the finding and stated the Human Resources Division has reached out to all employees that are required to file a SOEI and the Commission will track and follow up with employees that have not completed trains to ensure that they are completed promptly.

**OTHER FINDINGS**

The remaining findings pertain to inadequate controls over reporting requirements, monthly reconciliations, State vehicles, voucher processing, and GenTax access, weaknesses with Payment Card Industry Data Security Standards and cybersecurity programs and practices, failure to comply with the Identity Protection Act, and inadequate controls over review of user access. We will review the Commission’s progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT’S OPINION**

The accountants conducted a compliance examination of the Commission 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 Finding 2021-001 through 2021-005. 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.

The compliance examination was conducted by Adelfia LLC.

**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

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