



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS LIQUOR CONTROL COMMISSON

State Compliance Examination
 For the Two Years Ended June 30, 2023

Release Date: July 9, 2024

FINDINGS THIS AUDIT: 12				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	4	4	2021	1, 2, 3, 4	5, 6, 7, 8, 9, 10	
Category 2:	2	6	8				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	2	10	12				
FINDINGS LAST AUDIT: 12							

SYNOPSIS

- **(23-01)** The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over receipts.
- **(23-02)** The Commission did not file statutorily required reports and submissions or did not file them timely.

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

INADEQUATE CONTROLS OVER RECEIPTS

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

Irreconcilable differences of \$46,088 and \$141,600 receipt records for FY22 and FY23, respectively

According to Commission records, the Commission collected total revenues of \$21.0 million and \$6.1 million which were deposited into the General Revenue Fund (Fund 001) and the Dram Shop Fund (Fund 821) during Fiscal Years 2022 and 2023, respectively. However, as discussed in Finding 2023-003, we noted irreconcilable differences of \$46,088 and \$141,600 between the Commission's receipt records and the Office of Comptroller's *Monthly Revenue Status Report* (SB04) reports as of June 30, 2022 and June 30, 2023, 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 § 205.36) 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:

During testing of 60 receipts collected and deposited during the examination period, we noted the following:

Receipts deposited between 1 and 15 days late

- Fourteen (23%) receipts tested, totaling \$144,950, were deposited between one and 15 days late.
- For 20 (33%) receipts tested, totaling \$87,275, the Commission was unable to provide adequate supporting documentation to enable us to trace the individual receipts items to the Treasurer's Draft (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 these receipt items were actually included in the Draft and RDTs provided.

In addition, during our testing of the Agency Fee Imposition Report, we noted the following:

Incorrect reporting

- For the Fiscal Year 2022 Agency Fee Imposition Report, fines and penalties amounting to \$927,249 were reported under an incorrect revenue code.

- For the Fiscal Year 2023 Agency Fee Imposition Report, the funds into which the fees are deposited are not accurately reported. As of June 30, 2023, deposits to Dram Shop Fund of \$1,082,633 and General Revenue Fund of \$3,922,187 per SB04 report were not identified and separately reported in the Agency Fee Imposition Report. (Finding 1, pages 11-13)

We recommended the Commission establish adequate controls over the receipts process to ensure proper documentation of receipts transactions are maintained, receipts are timely deposited, and statutorily required reports are completed accurately as required by State laws.

Commission agreed

The Commission agreed with this finding and recommendation.

INADEQUATE CONTROLS OVER REPORTING REQUIREMENTS

The Commission did not file statutorily required reports and submissions or did not file them timely.

During testing, we noted the following:

Failure to submit reports/failure to report them timely

- The Commission submitted the Fiscal Control and Internal Auditing Act (FCIAA) certification for Fiscal Year 2022 to the Office of the Auditor General, 17 days late.
- The Commission did not submit an annual report of its acts and doings to the Governor for Fiscal Year 2021.
- The Commission submitted one report to the General Assembly during the examination period. However, a copy of such report was not provided to the State Library, nor such report was published on the Commission’s website. In addition, the Commission did not provide and deposit with the State Library copies of all publications issued by the Commission, including electronic publications, for its collection and exchange purposes during Fiscal Years 2022 and 2023.
- Four of 24 (17%) of monthly Debt Transparency Act reports submitted by the Commission to the Office of Comptroller during the examination period were one to 25 days late. These reports were for Fiscal Year 2022.
- One of 4 (25%) Travel Headquarter (TA-2) Reports filed by the Commission to the Legislative Audit Commission (LAC) during the examination period was filed 97 days late.

- During the prior examination, the Commission did not accurately report information on its Fiscal Year 2020 Agency Workforce Report (Report). During the current examination, we noted the Commission failed to submit the corrected the corrected Report within 30 days after the release of the Commission’s prior audit by the Auditor General.
- The Commission submitted its Fiscal Year 2022 Annual Inventory Certification Report to the Department of Central Management Services (CMS) 35 days late.
- The Commission did not submit its Fiscal Year 2021 Individually Assigned Vehicles (IAV) Report to CMS while the Fiscal Year 2022 IAV Report was submitted 91 days late. (Finding 2, page 14-16)

We recommended the Commission Strengthen its internal controls over reporting to ensure statutorily required reports are completed accurately and submitted timely as required by State laws.

Commission agreed

The Commission agreed with the finding and recommendation and stated that they will improve internal controls to ensure annual reports are submitted in compliance with laws and regulations.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over monthly reconciliations, voucher processing, personal services, state vehicles, review of user access rights and GenTax Access, noncompliance with payment card industry data security standards, weaknesses in cybersecurity and disaster recovery planning, and lack of adequate controls over the review of internal controls over service providers. We will review the Commission’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 Commission for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2023-001 through Finding 2023-004. 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 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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