



## **THE ILLINOIS LITERACY FOUNDATION**

(A Component Unit of the State of Illinois)

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2021

Performed as Special Assistant Auditors for the  
Auditor General, State of Illinois

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**THE ILLINOIS LITERACY FOUNDATION**

(A Component Unit of the State of Illinois)

**STATE COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2021

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**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)

**COMPLIANCE EXAMINATION**  
For the Two Years Ended June 30, 2021

**FOUNDATION OFFICIALS**

Ex Officio Director	Honorable Jesse White, Secretary of State
Executive Director	Thomas N. Benigno
Fiscal Officer	Greg McCormick
General Counsel	Irene Lyons

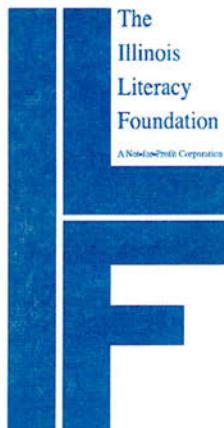
**BOARD OFFICERS**

President	Michael C. Mroz
Vice President (09/12/17 – Present)	John Rosales
Vice President (prior to 09/12/17)	Vacant
Treasurer	Dr. Roberto R. Castaneda
Secretary	Heather Bookstaver

**FOUNDATION OFFICE**

Illinois Literacy Foundation office is located at:

100 West Randolph Street  
Chicago, IL 60601



## The Illinois Literacy Foundation

James R. Thompson Center

P.O. Box 64386

Chicago, Illinois 60664-0386

[www.theillinoisliteracyfoundation.org](http://www.theillinoisliteracyfoundation.org)

## MANAGEMENT ASSERTION LETTER – STATE COMPLIANCE EXAMINATION

### MANAGEMENT ASSERTION LETTER

Jesse White

*Secretary of State  
State Librarian*

Thomas N. Benigno  
*Executive Director*

March 3, 2022

Sikich LLP  
3201 West White Oaks Dr., Suite 102  
Springfield, IL 62704

Ladies and Gentlemen:

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 Literacy Foundation. 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 Foundation's compliance with the following specified requirements during the two-year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the Foundation has materially complied with the specified requirements listed below.

- A. The Foundation 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 Foundation 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 Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.



The **Mission** of The Illinois Literacy Foundation is to partner with the corporate and private sectors to enhance literacy awareness and support literacy programs throughout the State of Illinois. Therefore, in collaboration with corporate and private entities, local businesses and state agencies, the Foundation strives to promote the enjoyment of reading and learning by addressing the literacy needs of the people of Illinois.

- D. State revenues and receipts collected by the Foundation 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 Foundation on behalf of the State or held in trust by the Foundation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

The Illinois Literacy Foundation

**SIGNED ORIGINAL ON FILE**

Thomas N. Benigno, Executive Director

**SIGNED ORIGINAL ON FILE**

Greg McCormick, Fiscal Officer

**SIGNED ORIGINAL ON FILE**

Irene Lyons, General Counsel

# **THE ILLINOIS LITERACY FOUNDATION**

(A Component Unit of the State of Illinois)

## **STATE COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2021

### **STATE COMPLIANCE REPORT**

#### **SUMMARY**

The State compliance testing performed during this 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*.

#### **ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

#### **SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
	<u>Report</u>	<u>Report</u>
Findings	1	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	1

#### **SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Last/First</u>	<u>Page</u>	<u>Reported</u>	<u>Description</u>	<u>Finding Type</u>
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#### **Current Findings**

##### **FINDINGS (GOVERNMENT AUDITING STANDARDS)**

2021-001	9	2019/	Inaccurate Inventory Records 2019	Material Weakness and Material Noncompliance
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##### **FINDINGS (STATE COMPLIANCE)**

In addition, the finding reported above relating to *Government Auditing Standards* also met the reporting requirements for State Compliance.

2021-001	9	2019/	Inaccurate Inventory Records 2019	Material Weakness and Material Noncompliance
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**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)

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

**EXIT CONFERENCE**

The Foundation waived an exit conference in correspondence from Greg McCormick, Fiscal Officer, on February 24, 2022. The response to the recommendation was provided by Greg McCormick, Fiscal Officer, in correspondence dated March 2, 2022.



3201 W. White Oaks Dr., Suite 102  
Springfield, IL 62704  
217.793.3363

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON STATE COMPLIANCE AND ON INTERNAL  
CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
The Illinois Literacy Foundation

**Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we have examined compliance by The Illinois Literacy Foundation (Foundation) with the specified 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, 2021. Management of the Foundation is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Foundation's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation on behalf of the State or held in trust by the Foundation 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Foundation's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the Foundation during the two years ended June 30, 2021. As described in the accompanying Schedule of Findings as item 2021-001, the Foundation had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance from the specified requirements described in the preceding paragraph, the Foundation complied with the specified requirements during the two years ended June 30, 2021, in all material respects.

The Foundation's response to the compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

### **Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Foundation's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Foundation's compliance with the specified requirements and to test and report on the Foundation's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a material weakness.

There were no immaterial findings that have been excluded from this report.

The Foundation's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
March 3, 2022

**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS**  
For the Two Years Ended June 30, 2021

2021-001 **FINDING** (Inaccurate Inventory Records)

The Illinois Literacy Foundation (Foundation) did not maintain accurate inventory records for the years ended June 30, 2020 and June 30, 2021.

**Inventory Quantities**

During our testing of inventory, the Foundation was unable to provide inventory records to support the number of books accepted for Fiscal Year 2020. Foundation management stated no books were accepted in Fiscal Year 2021.

The Foundation provided a listing of the number of books that were distributed to each school for Fiscal Year 2021. The Foundation could not provide the distribution listing for Fiscal Year 2020. During our testing over the distribution listings provided by the Foundation, we were unable to verify the amounts that were recorded on the financial statements as inventory expense for fiscal year 2020. There was no distribution listing for fiscal year ending June 30, 2020; therefore, we were unable to recalculate the total value distributed of fiscal year 2020.

**Inventory Pricing**

The Foundation utilized AbeBooks.com to value its inventory at the beginning of fiscal year 2018. The Foundation selected a sample of 50 books from each category to determine the average price per type of book. The Foundation carried forward the averages obtained from AbeBooks.com for the remainder of the engagement period. In the prior engagement period, the auditors selected a sample of inventory to test the Foundation's inventory pricing. The Foundation did not preserve documentation of its initial pricing exercise and the auditors noted multiple inventory pricing difference during their testing. It was noted that the cost difference could not be extrapolated over the entire inventory population to determine the material effect on the financial statements. During the current engagement period, the Foundation indicated that there was no change from the prior engagement and the Foundation has no documentation to support the initial pricing of its inventory. Based upon this, Sikich was unable to verify the pricing of the Foundation's inventory.

The Illinois Office of the Comptroller requires State agencies, in certain cases, to prepare GAAP basis financial statements to assist in the annual preparation of the Statewide financial statements and provide adequate audit coverage of those statements, GAAP reporting instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27.

**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS**  
For the Two Years Ended June 30, 2021

2021-001 **FINDING** (Inaccurate Inventory Records) (Continued)

In addition, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system of fiscal internal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with generally accepted accounting principles.

Foundation management stated the book program which resulted in the inventory balance was anticipated to end prior to June 30, 2021, but was delayed due to the COVID-19 pandemic. Foundation management stated additional corrective action was not implemented due to the short-term life of the book program.

Failure to maintain accurate inventory records could result in inaccurate financial statements and noncompliance with SAMS and the Fiscal Control and Internal Auditing Act. (Finding Code No. 2021-001; 2019-001)

**RECOMMENDATION**

We recommend the Foundation strongly emphasize the importance of maintaining accurate inventory records throughout the year. Additionally, training and ongoing education should be provided to all employees involved in the inventory process.

**FOUNDATION RESPONSE**

The Illinois Literacy Foundation concurs with the finding, as it relates to the period of July 2019 – December 2019. The Foundation took significant corrective action upon learning of the concern expressed in the audit for the two years ending June 30, 2019. While that action did not allow for correction of book valuation and modification of inventory controls for the six month period of July – December 2019, the Foundation believes the inventory control procedures implemented did significantly address the issue.

The Foundation did not revalue book titles as indicated in the inventory record established on December 27, 2019 that were received through Thriftbooks literacy partnership program. The collective value of those titles was previously determined to be \$573; Thriftbooks did not provide a valuation on items shipped to literacy programs as part of their social responsibility outreach.

**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)

**DISCLOSURES ACCOMPANYING A STATE  
COMPLIANCE EXAMINATION REPORT**  
For the Two Years Ended June 30, 2021

**DISCLOSURES REPORT**

**SUMMARY**

A reading of the accompanying report components of The Illinois Literacy Foundation (Foundation) was performed by Sikich LLP.

**ACCOUNTANT'S REPORT**

The accountants did not conclude an omission or uncorrected material misstatement of the other information exists in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report.

**EXIT CONFERENCE**

The Foundation waived an exit conference in correspondence from Greg McCormick, Fiscal Officer, on February 24, 2022.



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217.793.3363

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON DISCLOSURES ACCOMPANYING A STATE  
COMPLIANCE EXAMINATION REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
The Illinois Literacy Foundation

***Disclosures Accompanying a State Compliance Examination Report***

Management of The Illinois Literacy Foundation (Foundation) is responsible for the *Disclosures Accompanying a State Compliance Examination Report* (other information), which consists of the Fiscal Schedules and Analysis and Analysis of Operations report components as listed in the Table of Contents. The other information comprises disclosures which must be presented by management in accordance with *Report Components* memorandum published by the Auditor General of the State of Illinois, but does not include our *Independent Accountant's Report on State Compliance and on Internal Control over Compliance* found in the separate *State Compliance Examination Report* included within this document. Our opinion on the Foundation's State compliance and internal control over compliance does not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our examination of the Foundation, our responsibility is to read the other information and consider whether:

1. a material inconsistency exists between the other information and our knowledge and facts of the Foundation we obtained as part of the Foundation's State compliance examination;
2. the other information appears to have been omitted; or,
3. the other information appears to be materially misstated.

If, based on the work performed, we concluded an omission or uncorrected material misstatement of the other information exists, we are required to describe it in this report.

**SIGNED ORIGINAL ON FILE**

Springfield, IL  
March 3, 2022

**THE ILLINOIS LITERACY FOUNDATION**  
 (A Component Unit of the State of Illinois)

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES**

For the Years Ended June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>			
Direct public support	\$ 1,005	\$ 111	\$ 326
Interest	<u>1</u>	<u>5</u>	<u>8</u>
<b>Total revenue</b>	<u>1,006</u>	<u>116</u>	<u>334</u>
<b>EXPENSES</b>			
Contractual	370	320	208
Commodities	<u>-</u>	<u>-</u>	<u>3,555</u>
<b>Total expenses</b>	<u>370</u>	<u>320</u>	<u>3,763</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 636</u>	<u>\$ (204)</u>	<u>\$ (3,429)</u>

**Note:**

The above comparison does not include the on-behalf payments made by the State of Illinois Office of the Secretary of State or In Kind activity.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2021

**Fiscal Year 2021 Compared to Fiscal Year 2020**

Contractual expenses

The increase was due to higher Automated Clearing House fees from increased donations compared to prior period and postal box fee increase.

**Fiscal Year 2020 Compared to Fiscal Year 2019**

Contractual expenses

The increase was due to postal box fee increase and Illinois Charity Bureau Filing payment that was not required in the previous period.

Commodity expenses

The decrease is due to direct book purchases made in prior period to support Foundation initiatives that were not required in the subsequent year.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

**THE ILLINOIS LITERACY FOUNDATION**  
(A Component Unit of the State of Illinois)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2021

**Fiscal Year 2021 Compared to Fiscal Year 2020**

**Direct Public Support**

The increase was due to individual donations to the Foundation were substantially higher in the period compared to the prior year.

**Interest**

The decrease was due to the interest rate on the Foundation's bank account significantly decreased in April 2020 and continued through the next period.

**Fiscal Year 2020 Compared to Fiscal Year 2019**

**Direct Public Support**

The decrease was due to individual donations to the Foundation were substantially down in the reporting period as compared to the prior year.

**Interest**

The decrease was due to interest earned from the Foundation's bank account, which had a higher balance for the majority of the period ending on June 30, 2019.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

## **THE ILLINOIS LITERACY FOUNDATION**

(A Component Unit of the State of Illinois)

### **FUNCTIONS AND PLANNING For the Two Years Ended June 30, 2021**

#### **Functions**

The Foundation has adopted a Mission Statement and Vision Statement as follows:

#### **MISSION STATEMENT**

The mission of the Illinois Literacy Foundation (Foundation) is to promote literacy awareness and support literacy programs throughout the State of Illinois by partnering with corporate and private sectors.

#### **VISION STATEMENT**

All Illinois pre-school children will benefit from early childhood literacy programs and be ready to learn to read in kindergarten.

From the bylaws, adopted December 15, 2015, the Foundation identifies as its purposes:

- to promote literacy among the residents of the State of Illinois by supporting literacy programs and enhancing statewide literacy awareness
- to make grants and gifts in aid and support of the goal; and
- to engage generally in other lawful endeavors consistent with the foregoing purposes

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.