



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF INNOVATION AND TECHNOLOGY**

Compliance Examination  
 For the Two Years Ended June 30, 2020

Release Date: June 2, 2021

FINDINGS THIS AUDIT: 28				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>
<b>Category 1:</b>	<b>2</b>	<b>11</b>	<b>13</b>	2018	<b>20-01, 20-02, 20-04, 20-05, 20-06, 20-08, 20-09, 20-10, 20-11, 20-12, 20-13</b>	20-16, 20-17, 20-18, 20-19, 20-20, 20-21, 20-22, 20-23, 20-24, 20-25, 20-27, 20-28	
Category 2:	3	12	15				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<b>TOTAL</b>	<b>5</b>	<b>23</b>	<b>28</b>				
<b>FINDINGS LAST AUDIT: 30</b>							

**SYNOPSIS**

- **(20-01)** The Department failed to comply with the provisions of Executive Order 2016-01: Executive Order Consolidating Multiple Information Technology Functions Into A Single Department of Innovation and Technology.
- **(20-02)** The Department failed to maintain controls over its property and related records.
- **(20-05)** The Department did not review the billing rates utilized to bill agencies IT and telecommunication services.
- **(20-12)** The Department did not have controls in place to control, track, and monitor end-user software use.

**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.

**DEPARTMENT OF INNOVATION AND TECHNOLOGY  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2020**

<b>EXPENDITURE STATISTICS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total Expenditures.....</b>	<b>\$ 490,897,168</b>	<b>\$ 314,803,619</b>	<b>\$ 319,342,253</b>
OPERATIONS TOTAL.....	\$ 490,880,649	\$ 314,802,725	\$ 311,877,652
% of Total Expenditures.....	100.0%	100.0%	97.7%
Personal Services.....	74,093,916	72,298,213	51,556,181
Other Payroll Costs (FICA, Retirement).....	55,439,793	52,872,247	36,276,995
All Other Operating Expenditures.....	361,346,940	189,632,265	224,044,476
REFUNDS.....	\$ 16,519	\$ 894	\$ 7,464,601
% of Total Expenditures.....	0.0%	0.0%	2.3%
<b>Total Receipts.....</b>	<b>\$ 292,737,039</b>	<b>\$ 456,014,475</b>	<b>\$ 152,062,204</b>
<b>Average Number of Employees.....</b>	<b>758</b>	<b>776</b>	<b>569</b>

<b>AGENCY DIRECTOR</b>
During Examination Period: Kirk Lonbom, Acting (through 12/31/18), Jack T. King, Interim (1/1/19-2/11/19), Jennifer Ricker, Acting (2/12/19-3/3/19), Ron Guerrier, Acting (3/4/19-2/17/20), Ron Guerrier (2/18/20-9/4/20) Currently: Jennifer Ricker, Acting (effective 9/5/20)

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FAILURE TO COMPLY WITH EXECUTIVE ORDER  
2016-01**

The Department of Innovation and Technology (Department) failed to comply with the provisions of Executive Order 2016-01: Executive Order Consolidating Multiple Information Technology Functions Into A Single Department of Innovation and Technology.

**Executive Order required transfer of personnel and property as of July 1, 2016**

The Executive Order, effective March 27, 2016, and subsequently the Department of Innovation and Technology Act (Act) (20 ILCS 1370/1-10), effective July 20, 2018, required the Department and 38 agencies (agencies) to transfer identified employees, and personnel records, books, correspondence and other property; both real and personal to the Department as of July 1, 2016.

**Department and agencies had not transferred 12 agencies personnel and 6 agencies property**

During our testing, as of June 30, 2020, the Department and the agencies had not transferred:

- 12 agencies personnel, and
- 6 agencies real and personal property.

**Department had not entered into IGAs with 24 and 12 agencies for Fiscal Years 2019 and 2020**

The Department had entered into Intergovernmental Agreements (IGAs) with the agencies documenting the rights and duties of each party as they relate to personnel, assets, contracts, and funding during the transition period. However, we noted the Department had not entered into IGAs with 24 and 12 agencies for Fiscal Years 2019 and 2020, respectively. (Finding 1, pages 13-14)

We recommended the Department work with the agencies to complete the transfer of personnel and real and personal property as required by the Executive Order and the Act.

**Department management agreed with accountants**

Department management agreed with the finding and agreed it should work with agencies to complete the transfer of personnel and property as required by the Executive Order and Public Act 20 ILCS 1370. The Department also stated it has provided IGAs for signature to all transferring agencies and will follow up to ensure these agreements are in place.

**FAILURE TO MAINTAIN CONTROLS OVER  
PROPERTY**

The Department failed to maintain controls over its property and related records.

**Agency Report of State Property inaccurate**

*Agency Report of State Property*  
During our testing of the Agency Report of State Property (Form C-15) filed with the Office of Comptroller, we noted:

**Construction in Progress pertaining to the ERP understated by \$60,998,718**

- Two of eight (25%) quarterly C-15 Reports required to be filed during Fiscal Years 2020 and 2019 were submitted four and five days late.
- For the Fiscal Year 2019 C-15 Reports:
  - The Capital Development Fund's (Fund 0141) Construction in Progress (CIP) was understated by \$60,998,718 on the C-15 Report. The CIP pertained to the Enterprise Resource Planning (ERP) Implementation. The Department corrected the CIP on the first quarter of Fiscal Year 2020's C-15 Report.
  - Equipment, totaling \$230,564,777 at June 30, 2019, did not agree with the Department's property listing. The discrepancy totaled \$35,811,746.
  - Property additions did not agree with the detailed list of additions provided by the Department. The discrepancies totaled \$19,639,030.
  - Property deletions did not agree with the detailed list of deletions provided by the Department. The discrepancies totaled \$854.
  - Net transfers did not agree with the detailed list of net transfers provided by the Department. The discrepancies totaled \$23,893.
  - The Department did not maintain supporting documentation for equipment deletions recorded on the Department's fixed asset transaction summary totaling \$61,862,248.
  - The CIP additions totaling \$90,741,342 were incorrectly reported as adjustment to deletions.

**Supporting documentation not maintained for equipment deletions totaling \$61,862,248**

**Property listing did not agree to Agency Report of State Property**

- For the Fiscal Year 2020 C-15 Reports:
  - Equipment, totaling \$228,896,401 at June 30, 2020, did not agree with the Department's property listing. The discrepancy totaled \$9,411,705.
  - Property additions did not agree with the detailed list of additions provided by the Department. The discrepancies totaled \$2,038,753.
  - Property deletions did not agree with the detailed list of deletions provided by the Department. The discrepancies totaled \$20,665.
  - Net transfers did not agree with the detailed list of net transfers provided by the Department. The discrepancies totaled \$13,395,352.
  - The Department did not maintain supporting documentation for additions reported on the C-15 Reports for the Technology Management Revolving Fund (Fund 0304) and Government Funds (General Revenue Fund (Fund 0001) and Capital Development Fund (Fund 0141)), totaling \$3,117,823 and \$53,721,522, respectively. Additionally, supporting documentation was not maintained for Fund 0304 net transfers totaling \$97,044,004.

**No support for additions totaling \$56,839,345**

**No support for transfers totaling \$97,044,004**

*Annual Certification of Inventory*

- The Department submitted the annual certification of inventory for 2019 to the Department of Central Management Services (DCMS) two days late from the approved extension date. Additionally, the Department was not able to provide the listing of property per location code as reported in the annual certification of inventory for 2019.

**Accountants unable to conclude Department's property records are complete and accurate**

*Population Completeness*

We requested the Department to provide the population of its property in order to determine if property had been properly recorded. In response to the request, the Department provided a population; however, given the noted exceptions above we were unable to conclude the Department's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

**Even given the population limitations noted above, we performed testing on a sample of the property population.**

*Detailed Testing*

Property Additions

**Property additions recorded late**

- Three of 60 (5%) property additions received after May 3, 2019, totaling \$279,090, were recorded 100 to 305 days late.

Property Deletions and Unlocated Computers

**Property deletions recorded late**

- Eight of 60 (13%) property deletions completed after May 3, 2019, totaling \$564,295, were recorded 168 to 1,023 days late.
- The Department did not provide documentation to determine if:
  - 43 of 60 (72%) property deletions totaling \$7,325,678, were properly processed, approved, supported, and timely recorded;
  - 28 of 28 (100%) deleted computers, totaling \$2,989,345, had confidential data and were properly wiped; and
  - 23 of 32 (72%) unlocated computers, totaling \$70,854, had confidential information stored and were properly wiped out.

**Unable to determine if missing computers contained confidential information**

Physical observation of equipment

During testing, we noted:

- 21 of 60 (35%) items, totaling \$131,621, were not found at the location indicated on the Department's property listing.
- One of 60 (2%) items, totaling \$2,047, was reported as a deletion on the Fiscal Year 2019 C-15 report but was still included in the Department's property listing as of June 30, 2020.

- Two of 60 (3%) items were not recorded in the property records. The Department did not provide documentation to determine the cost of the items. (Finding 2, pages 15-19)

We recommended the Department implement controls to ensure all property is accounted for in accordance with the Illinois Administrative Code and the Statewide Accounting Management System Manual. In addition, we recommended the Department ensure the reporting to DCMS and the Office of Comptroller is accurate and reconciled to the Department's records.

**Department management agreed with accountants**

Department management agreed with the finding and stated they began using a new accounting system and asset management system at the start of FY19 and continues to gain experience using the new system to complete the quarterly reports and maintain support.

**LACK OF REVIEW OF BILLING RATES**

The Department did not review the billing rates utilized to bill agencies for Information Technology (IT) and telecommunication services.

During our testing, we noted:

**Lacked methodology to determine administrative mark up**

- The Department added an administrative mark up to the telecommunication rate; however, the Department did not have a methodology to determine the administrative mark up.

**Lack of methodology to determine monthly rate charged for ERP usage**

- The Department had not developed a methodology to determine the monthly rate to be charged to agencies who utilize the State's Enterprise Resource Planning System (ERP). Additionally, the Department did not provide documentation of the approved budgeted cost or the actual expenditures for the ERP project as of June 30, 2020.

**Incorrect rates posted on Department's website**

- The Department did not bill for specific server usages in a timely manner. The specific server usage was billed annually instead of a monthly basis. In addition, the rate charged for the specific server usage was incorrect.
- There were several IT and telecommunication service rates posted on the Department's website which were not on the Department's list of approved rates. In addition, several rates posted on the Department's website differed from the Department approved rates. Further, the list of IT and telecommunication rates

posted on the Department's website included services no longer being offered.

- The Department had not reviewed the billing rates since 2018. The latest rate structure available on the Department website was effective September 1, 2018. (Finding 5, pages 23-25)

We recommended the Department develop a methodology for determining the rates to be charged for the usage of the ERP and the telecommunication administrative mark up. Additionally, we recommend the Department review all rates at least annually to ensure the appropriateness of the charges and ensure approved rates are published for the services provided.

Further, we recommended the Department establish and approve a cost budget for the ERP.

**Department management agreed with accountants**

Department management agreed with finding and stated a complete rate review is performed annually in the spring in conjunction with the annual Statewide Cost Allocation Plan (SWCAP) submission. The administrative mark-up to the telecommunication rate has historically been a cost-plus cost methodology. The mark-up is reviewed and evaluated through the annual SWCAP to determine if there are large over- or under-recovery occurrences. The Department continues to work with the Governor's Office of Management & Budget on establishing the rate and accounting for the costs incurred.

Department management also stated when the new rates were established, the website update inadvertently omitted the new individual rates. The website will be updated to reflect the rates currently in place.

Department management further stated regarding the monthly billing, due to rapid growth, it was known that the final effective rate would be much lower than had been established. It was determined it would be less of a detriment to user agencies by delaying the billing at a lower rate than to overcharge throughout the year and issue a large credit at the end of the year.

**FAILURE TO CONTROL AND MONITOR SOFTWARE LICENSING**

The Department did not have controls in place to control, track, and monitor end-user software use.

**No inventory of software licenses purchased or number of software licenses deployed**

The Department had not developed procedures for controlling, monitoring, and tracking the use of software licenses. In addition, the Department could not provide an inventory of software licenses purchased and the number of software licenses that was actually deployed. As a result, we were unable to determine if the

Department was in compliance with contractual licensing agreements. (Finding 12, pages 37-38)

We recommended the Department develop and implement procedures to control, monitor, and track software licenses. Additionally, we recommended the Department develop a mechanism to track the software licenses purchased and utilized and at least annually reconcile their software license inventory to vendor software inventory to ensure software is deployed in accordance with the terms of procurement.

**Department management agreed  
with accountants**

Department management agreed with finding and stated during the audit period, the Department implemented a corrective action plan to address software asset management deficiencies. Progress continues on the corrective action plan with a software asset management tool scheduled for implementation later this year.

**OTHER FINDINGS**

The Department has many other findings described within its *Compliance Examination Report*. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2020-001 through 2020-013. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Roth & Company.

**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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