



**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2022

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



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STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

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STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

STATE OF ILLINOIS, CAPITAL DEVELOPMENT BOARD (BOARD) OFFICIALS

| | |
|--|-----------------|
| Director | James Underwood |
| Chief of Staff | Tamakia Edwards |
| Chief Financial Officer | Paula Sorensen |
| General Counsel | Amy Romano |
| Deputy Director of Operations | Kathryn Martin |
| Deputy Director of Construction (1/1/23 – Present) | Lisa Hennigh |
| Deputy Director of Construction (8/15/20 – 12/31/22) | Vacant |
| Deputy Director of Construction (7/1/20 – 8/14/20) | Michael Wilson |
| Chief Internal Auditor | Jennifer Boen |

BOARD MEMBERS

| | |
|-------------------------------|------------------------|
| Chair | Eileen Rhodes |
| Member | Glyn Ramage |
| Member | Pamela McDonough |
| Member | Beverly Potts |
| Member | Saul J. Morse |
| Member (Through – 10/06/2021) | David Arenas |
| Member (11/2/2021 – Present) | Hipolito (Paul) Roldán |
| Member (1/28/2022 – Present) | David Sidney |

BOARD OFFICE

The Board's primary administrative office is located at:

300 William G. Stratton Building
401 South Spring Street
Springfield, Illinois 62706



MANAGEMENT ASSERTION LETTER

April 18, 2023

Sikich LLP
3051 Hollis Dr., 3rd Floor
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 State of Illinois, Capital Development Board (Board). 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 Board's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Board has materially complied with the specified requirements listed below.

- A. The Board 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 Board 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 Board 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 Board 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 Board on behalf of the State or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Capital Development Board

SIGNED ORIGINAL ON FILE

Jim Underwood, Executive Director

SIGNED ORIGINAL ON FILE

Paula Sorensen, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Amy Romano, General Counsel

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

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, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

| Number of | <u>Current</u> | <u>Prior Report</u> |
|---|-----------------------|----------------------------|
| Findings | 11 | 9 |
| Repeated Findings | 5 | 1 |
| Prior Recommendations Implemented or Not Repeated | 4 | 5 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|--------------------|--------------------------|---|--|
| Current Findings | | | | |
| 2022-001 | 10 | New | Inaccurate Agency Workforce Reports | Noncompliance and Significant Deficiency |
| 2022-002 | 12 | 2020/2006 | Weaknesses in Performance of Employee Evaluations | Noncompliance and Significant Deficiency |
| 2022-003 | 13 | New | Weaknesses in Calculation of Fringe Benefits | Noncompliance and Significant Deficiency |
| 2022-004 | 14 | 2020/2020 | Weaknesses in Control over Travel | Noncompliance and Significant Deficiency |

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|------------------------------------|-------------|----------------------------|---|--|
| Current Findings | | | | |
| 2022-005 | 16 | New | Voucher Processing Weaknesses | Noncompliance and Significant Deficiency |
| 2022-006 | 18 | 2020/2020 | Weaknesses in Performing Reconciliations | Noncompliance and Significant Deficiency |
| 2022-007 | 20 | 2020/2020 | Weaknesses in Filing Required Reports | Noncompliance and Significant Deficiency |
| 2022-008 | 21 | New | Access Control Weaknesses | Noncompliance and Significant Deficiency |
| 2022-009 | 22 | New | Inadequate Change Management Controls | Noncompliance and Significant Deficiency |
| 2022-010 | 23 | 2020/2020 | Weaknesses in Cybersecurity Programs and Practices | Noncompliance and Significant Deficiency |
| 2022-011 | 26 | New | Disaster Recovery Planning Weaknesses | Noncompliance and Significant Deficiency |
| Prior Findings Not Repeated | | | | |
| A | 28 | 2021/2020 | Inadequate Fiduciary Oversight | |
| B | 28 | 2021/2020 | Inadequate Internal Controls over Census Data | |
| C | 28 | 2020/2020 | Failure to Provide Requested Documentation in a Timely Manner | |
| D | 28 | 2020/2020 | Failure to Demonstrate the Completeness and Accuracy of the Report Components | |

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

EXIT CONFERENCE

The Board waived an exit conference in a correspondence from Jennifer Boen, Chief Internal Auditor, on April 10, 2023. The responses to the recommendations were provided by Jennifer Boen, Chief Internal Auditor, in a correspondence dated April 13, 2023.

3051 Hollis Dr., 3rd Floor
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

Governing Board
State of Illinois, Capital Development Board

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Capital Development Board (Board) 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, 2022. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Board 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 Board 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 Board 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 Board 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 Board on behalf of the State or held in trust by the Board 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 Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board 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 opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the Board complied with the specified requirements during the two years ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-001 through 2022-011.

The Board's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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 Board 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 Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 in internal control 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 in internal control 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-011 that we consider to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Board's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Board's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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
April 18, 2023

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Inaccurate Agency Workforce Reports)

The Capital Development Board (Board) did not submit accurate Agency Workforce Reports to the Secretary of State or Governor’s Office for Fiscal Year 2020 and Fiscal Year 2021.

We tested both of the reports required to be filed during the examination period and noted the Fiscal Year 2020 and 2021 reports contained inaccuracies regarding the data reported across multiple categories. When tracing the amounts reported to the supporting documentation, we determined the amounts reported on five lines did not match the amounts submitted on the report.

The State Employment Records Act (5 ILCS 410/5) states the purpose of this Act is to require and develop within existing State administrative processes a comprehensive procedure to collect, classify, maintain, and publish, for State and public use, information that provides the General Assembly and the People of this State with adequate information of the number of minorities, women, and persons with physical disabilities employed by State government within the State work force. Additionally, the Act is to provide State officials, administrators and the People of the State with information to help guide efforts to achieve a more diversified State work force, the total number of persons employed within the State work force shall be tabulated in a comprehensive manner to provide meaningful review of the number and percentage of minorities, women, and persons with physical disabilities employed as part of the State work force.

The Illinois State Auditing Act (30 ILCS 5/3-2.2) states that the required compliance audit of each State agency shall include a determination of whether that agency has complied with the requirements of the State Employment Records Act. If the Auditor General determines that a State agency has materially failed to comply with the requirements of the State Employment Records Act, the State agency, within 30 days after release of the audit by the Auditor General, shall prepare and file with the Governor and the Office of the Secretary of State corrected reports covering the periods affected by the noncompliance.

Board management indicated the exceptions noted were due to oversight due to turnover in the Human Resources Division.

The State relies on agencies to report accurate demographic information in order to help guide efforts to achieve a more diversified State work force. Inaccuracies in the information reported provides an incomplete picture of the State’s workforce demographics. (Finding Code No. 2022-001)

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Inaccurate Agency Workforce Reports) (Continued)

RECOMMENDATION

We recommend the Board implement controls over its Agency Workforce Reports to ensure they are complete and accurate. We also recommend the Board file corrected reports with the Secretary of State and Office of the Governor as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2).

BOARD RESPONSE

The Board accepts the recommendation. The Board will work with the Secretary of State and Office of the Governor to ensure the Agency Workforce Reports are completed. In addition, the Board will implement controls over reporting to ensure data is complete and accurate.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Weaknesses in Performance of Employee Evaluations)

The Capital Development Board (Board) did not perform employee performance evaluations in a timely manner.

During our testing of the performance evaluations of 12 employees, we noted evaluations were not performed on a timely basis for nine (75%) employees. The evaluations were performed between 47 and 385 days late.

This finding was first noted during the Board’s Fiscal Year 2005 – Fiscal Year 2006 State compliance examination, sixteen years ago. As such, Board management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Board Personnel Policies and Procedures Chapter 16 - Performance Appraisal requires evaluations to take place no less than every twelve months. The Illinois Administrative Code (80 Ill. Admin. Code 302.270) (Code) requires performance records to include an evaluation of employee performance prepared by each agency with such evaluation performed not less often than annually.

Board management indicated the late evaluations occurred due to employee oversight despite the Board management team’s efforts during the examination period to update and monitor the process.

Employee performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance and areas for improvements, and current year’s performance goals and objectives may not be identified and communicated in a timely manner. Further, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, recalls, or reinstatement decisions. (Finding Code No. 2022-002, 2020-005, 2018-004, 2016-004, 2014-004, 12-4, 10-3, 08-3, 06-6)

RECOMMENDATION

We recommend the Board review the annual evaluation process and ensure timely completion of annual performance evaluations for all employees. We further recommend immediate supervisors should be held responsible for completing these on a timely basis.

BOARD RESPONSE

The Board accepts the recommendation and has made process improvements to ensure timely completion of annual performance evaluations for all employees.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Weaknesses in Calculation of Fringe Benefits)

The Capital Development Board (Board) did not determine the value of fringe benefits provided, nor did it include the value of fringe benefits within the employee’s other compensation subject to withholdings, on the employee payroll voucher.

During our testing of fringe benefits, we noted, for one employee tested (100%), the Board did not determine the value of fringe benefit received, or include the value of fringe benefits on the payroll voucher as “other compensation subject to withholdings.”

State vehicles that are used for the purpose of commuting are considered a fringe benefit and must be reported as taxable income. All employees personally assigned a State vehicle must monthly submit the number of miles their assigned state vehicle was used for commuting purposes. Per Board Assignment of Vehicles Policy, an agency will include in the assigned driver’s gross income as a taxable fringe benefit \$1.50 per commute for each work day (\$3.00 for a round-trip) the vehicle is used, regardless of work location or headquarters. Commutes will be included on a monthly vehicle log submitted by each assigned driver to each agency’s designated recipient and collector of the logs. The applicable commuting taxable fringe benefit, required by federal tax law, will be included by the agency in each affected employee’s gross income at least annually, but as frequently as each pay period, and will be included as part of each employee’s yearly W-2.

Board management indicated the failure to determine the fringe benefits and include them in the payroll voucher was due to oversight.

The State relies on agencies to properly record personnel information such as taxable income, and inaccuracies in the information reported results in an inaccurate amount of tax reported and paid. (Finding Code No. 2022-003)

RECOMMENDATION

We recommend the Board implement controls to identify and account for fringe benefits to employees. In addition, we recommend the Board provide the applicable commuting taxable fringe benefit information to the employee in the form of a corrected W-2.

BOARD RESPONSE

The Board accepts the recommendation and has instituted a process to identify and account for fringe benefits for employees.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Weaknesses in Control over Travel)

The Capital Development Board (Board) did not exercise adequate controls over travel expenditures. In addition, it did not submit Travel Headquarters Reports (Form TA-2) to the Legislative Audit Commission timely.

During our testing, we noted the following:

- One of 40 (3%) vouchers were not submitted for approval by the supervisor on a timely basis (12 days late).
- The TA-2 form for the Board's board members for January 2022 was submitted on June 7, 2022. The report was required to be submitted by January 15, 2022 (143 days late).
- The TA-2 form for Board employees for January 2022 was submitted on December 22, 2022. The report was required to be submitted by January 15, 2022 (341 days late).

Internal Revenue Service (IRS) Publication 535, *Business Expenses*, states employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately account for the expenses within a reasonable period of time, generally defined by Publication 535 as within 60 days after the expenses were paid or incurred and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as wages on the employee's Form W-2. If the employer fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholdings, Social Security, Medicare, and unemployment taxes. As noted in the Office of Comptroller's Accounting Bulletins 134 and 135, the State Comptroller recognizes the 60-day rule noted in Publication 535.

The State Finance Act (30 ILCS 105/12-3) requires each State agency to file reports of all its officers and employees for whom official headquarters have been designated at any location other than at which their official duties require them to spend the largest part of their working time. The reports shall be filed with the Legislative Audit Commission no later than each July 15 for the period from January 1 through June 30 of that year and no later than each January 15 for the period from July 1 through December 31 of the preceding year.

Board management indicated these deficiencies were caused by employee error which occurred during a time of personnel transition.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Weaknesses in Control over Travel) (Continued)

Noncompliance with the Board and State travel requirements could result in improper expenditure of State funds. Failure to file a timely Form TA-2 decreases the effectiveness of oversight controls and results in noncompliance with State statute. (Finding Code No. 2022-004, 2020-006)

RECOMMENDATION

We recommend the Board enforce effective controls over travel to ensure vouchers are timely submitted for approval. Additionally, we recommend the Board file its Form TA-2 in a timely manner.

BOARD RESPONSE

The Board accepts the recommendation and will continue to make every effort to ensure vouchers are submitted timely for approval and that TA-2 forms are filed timely.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Voucher Processing Weaknesses)

The Capital Development Board’s (Board) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Board to determine whether certain key attributes were properly entered by the Board’s staff into the ERP System. In order to determine the operating effectiveness of the Board’s internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State’s ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Our testing noted one of 140 (0.7%) attributes were not properly entered into the ERP System.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Board to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller’s Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Board maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system , or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State’s resources.

In addition, we conducted an analysis of the Board’s expenditures data for Fiscal Years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

- The Board owed six vendors interest, totaling \$1,129 in Fiscal Year 2021; however, the Board had not approved these vouchers for payment to the vendor. The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.
- The Board did not timely approve of 682 of 9,620 (7.1%) vouchers processed during Fiscal Years 2021 and 2022, totaling \$76,021,439. We noted these late vouchers were approved between 31 and 330 days late. The Code (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor’s invoice and approve proper bills within 30 days after receipt.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Voucher Processing Weaknesses) (Continued)

Board management indicated it erroneously did not change the voucher date in the ERP System to the correct date it was received due to oversight. Board management indicated the interest due exceptions were largely due to oversight. Some of the payments under \$50 did not qualify because the original voucher was paid from federal funds and were not deleted by the Board. Board management indicated that the untimely processing of vouchers was due to delays in its fiscal personnel receiving the approved voucher.

Failure to properly enter the key attributes into the State’s ERP System when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. (Finding Code No. 2022-005)

RECOMMENDATION

We recommend the Board properly enter attributes into the ERP System, approve proper bills within 30 days of receipt, and approve vouchers for payment of interest due to vendors.

BOARD RESPONSE

The Board accepts the recommendation. The Board will make every effort to timely review the prompt payment vouchers that are automatically generated in ERP to ensure they qualify for the interest and take proper actions if they do not. The Board will also remind our staff to timely review and approve construction vouchers that are submitted to fiscal for processing.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Weaknesses in Performing Reconciliations)

The Capital Development Board (Board) had weaknesses in performing reconciliations of appropriations to the Illinois Office of Comptroller (IOC) records.

We noted the following exceptions as a result of our testing of reconciliations performed by Board during the examination period.

- The Board had a total of \$1,425,524 in differences within the *Monthly Appropriation Status Report* (SB01) reconciliation as of September 30, 2022. While the Board was able to determine the nature of the differences, the Board did not timely correct the records for the noted differences.

SAMS (Procedure 07.30.20) states agency reconciliations are the primary control that ensures certain requirements are being satisfied. Agencies must reconcile to the SAMS on a monthly basis and notify the Comptroller of any irreconcilable differences so that necessary corrective action can be taken to locate the differences and correct the accounting records. These reconciliations must be completed within 60 days of the month end. The Comptroller provides each agency which has had activity during the month with up to seven reconciliation reports. SAMS identifies the SB01 reports as key reports for agency reconciliations.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations be 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.

Board management indicated the untimely corrections of items in SB01 reconciliations were mainly payroll discrepancies related to supplemental payrolls and payroll corrections for the prior fiscal year being posted in the current fiscal year. Board management indicated other discrepancies were due to expenditure adjustment transactions being handled incorrectly in the ERP System for the prior fiscal year. Board management indicated they had to work with the State of Illinois, Department of Innovation and Technology (DoIT) staff to resolve the issues because the differences crossed fiscal years.

Failure to perform reconciliations is noncompliance with SAMS and statutory mandates and increases the risk differences will go undetected and uncorrected. (Finding Code No. 2022-006, 2020-007)

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Weaknesses in Performing Reconciliations) (Continued)

RECOMMENDATION

We recommend the Board strengthen internal controls over monthly reconciliations to ensure they are performed in accordance with SAMS. In addition, we recommend the Board communicate with DoIT to correct reconciling items which should be written off in a timely manner.

BOARD RESPONSE

The Board accepts the recommendation and has cleared the old reconciling items.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Weaknesses in Filing Required Reports)

The Capital Development Board (Board) failed to file required reports in a timely manner.

The Board did not submit an annual report as required under the State Finance Act (30 ILCS 105/3(a)) (Act) for Fiscal Years 2020 or 2021.

According to the Act, each officer of the executive department and all public institutions of the State shall, at least ten days preceding each regular session of the General Assembly, make and deliver to the Governor an annual report of their acts and doings, respectively, arranged so as to show the acts and doings of each for the fiscal year ending in the calendar year immediately preceding the calendar year in which that regular session of the General Assembly convenes.

Board management indicated the failure to submit the annual report during the examination period was due to oversight due to turnover.

Failure to submit required reports causes the Board to be non-compliant with statutory requirements and prevents the Board from communicating its activities to the General Assembly and Governor. (Finding Code No. 2022-007, 2020-004)

RECOMMENDATION

We recommend the Board comply with its statutory requirements and submit all required reports on a timely basis.

BOARD RESPONSE

The Board accepts the recommendation and will work with the necessary agencies to ensure required reports are submitted timely.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Access Control Weaknesses)

The Capital Development Board (Board) had inadequate controls over access provisioning.

During our examination, we noted an access control policy had not been established.

Additionally, we noted 2 of 23 (9%) employees' access rights to the CDB Main system was beyond what was required for their job duties.

The Framework for Improving Critical Infrastructure Cybersecurity and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to develop access provisioning policies and establish controls to ensure authorized users only have needed access.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Board management indicated a lack of available resources contributed to the weaknesses noted.

Failure to implement effective controls over access provisioning could result in unauthorized access and manipulation of data. (Finding Code No. 2022-008)

RECOMMENDATION

We recommend the Board establish an access control policy to control access to its applications and data. We also recommend the Board review access rights to ensure only users requiring access have such.

BOARD RESPONSE

The Board accepts the recommendation and is working on an information security policy manual that will include access controls.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-009. **FINDING** (Inadequate Change Management Controls)

The Capital Development Board (Board) had not implemented adequate change management controls.

During our testing, we noted the Board had not established change control procedures, including authorization, testing and documentation requirements.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management section, requires entities to establish change management procedures to ensure changes are properly controlled.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Board management indicated they rely on the Department of Innovation and Technology (DoIT) for change management controls.

The lack of adequate change management procedures could result in unauthorized changes to existing systems. (Finding Code No. 2022-009)

RECOMMENDATION

We recommend the Board work with DoIT to obtain an understanding of each party's responsibilities. In addition, we recommend the Board establish change management procedures to ensure changes are adequately authorized, developed, tested and documented.

BOARD RESPONSE

The Board accepts the recommendation. The Board is working with DoIT and gaining an understanding of each party's roles and responsibilities. In addition, a change management practice has been adopted.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010 **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Capital Development Board (Board) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Board’s mission to manage the State’s building and capital improvement program, the Board maintains computer systems that contain confidential or personal information such as names, addresses, and Social Security Numbers of the citizens of the State.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Board’s cybersecurity program, practices and control of confidential information, we noted the Board had not:

- Developed policies and procedures related to:
 - Configuration management,
 - On-boarding of employees and contractors,
 - Physical security, and
 - Incident and breach notification procedures.
- Developed a cybersecurity plan.
- Ensured the Acceptable Use Policy and Personnel Policies and Procedures Manual depicted the current environment.
- Established detailed roles and responsibilities related to cybersecurity staff.
- Ensured termination checklists were completed upon employee terminations.
- Developed a project management framework.
- Developed a data classification methodology nor classified all its data.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.
- Developed policies and procedures, including documentation requirements, for monitoring security events.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Board management indicated they do not have staff and relied on the Department of Innovation and Technology (DoIT) for assistance with establishing their cybersecurity program.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Board's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-010, 2020-008)

RECOMMENDATION

We recommend the Board work with DoIT to obtain a detailed understanding of each party's responsibilities related to cybersecurity controls. Further, we recommend the Board:

- Develop policies and procedures related to:
 - Configuration management,
 - On-boarding of employees and contractors,
 - Physical security, and
 - Incident and breach notification procedures.
- Develop a comprehensive cybersecurity plan;
- Ensure the Acceptable Use Policy and Personnel Policies and Procedures Manual depict the current environment;
- Establish detailed roles and responsibilities for personnel assigned to cybersecurity;
- Ensure termination checklists are fully completed upon employee terminations;
- Develop a project management framework to ensure new applications are adequately approved, developed, tested and implemented in accordance with management's expectations;
- Develop a data classification methodology, including data classifications and details on determining the classifications are adequately secured;

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing controls; and,
- Develop procedures for implementing and monitoring identified security events.

BOARD RESPONSE

The Board accepts the recommendation and is working on an information security policy manual that will include recommended policies and procedures. In addition, all recommended Cybersecurity Programs and Practices will be instituted.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-011. **FINDING** (Disaster Recovery Planning Weaknesses)

The Capital Development Board (Board) had weaknesses in their disaster recovery planning.

During our examination, we noted:

- A disaster recovery plan had not been developed.
- The Board did not document their review of backup failure notifications received from the Department of Innovation and Technology (DoIT).
- The Continuity of Operations Plan (COOP) did not contain specific information regarding procedures or timeframes related to business resumptions.
- The COOP did not document contact information of 13 of 24 (54%) business processes. Additionally, 5 of 13 (38%) business functions did not have recovery scripts established.
- The COOP included a listing of recommended risk mitigation steps. However, the Board could not provide documentation demonstrating the steps were being performed.

In addition, the Board had not conducted recovery testing during the examination period.

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Board management indicated a lack of available resources contributed to the weaknesses noted.

Failure to adequately develop and test disaster contingency plans could result in the loss of data and the inability to recover within an acceptable time period. (Finding Code No. 2022-011)

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-011. **FINDING** (Disaster Recovery Planning Weaknesses) (Continued)

RECOMMENDATION

We recommend the Board establish an adequate disaster contingency plan. Additionally, we recommend the Board update its COOP to ensure all critical business processes and functions have been adequately documented and appropriate recovery scripts established. Once established, we recommend the Board ensure the plans are tested at least annually to ensure the plans continue to meet the Board’s recovery needs.

We also recommend the Board document performance of risk mitigation steps as recommended within the COOP. Such performance should be documented and maintained.

Additionally, we recommend the Board document all reviews of backup failure notifications received from the Department of Innovation and Technology to ensure the backups are successfully generated and can be relied upon when necessary.

BOARD RESPONSE

The Board accepts the recommendation. The Board will establish an adequate disaster contingency plan and update the COOP to ensure all critical business processes and functions have been adequately documented and recovery scripts established. The Board will schedule a time for testing the plan once the updates have been made.

The Board will ensure all backup reviews are documented.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022

A. **FINDING** (Inadequate Fiduciary Oversight)

During the financial audit of the Capital Development Board (Board) for the year ended June 30, 2021, the Board failed to provide appropriate oversight over certain accounts for which it has fiduciary responsibility.

During the current financial audit, we noted the Board implemented the prior year recommendations and now conducts quarterly internal audits (reviews) over the retention trust account activity in order to identify any differences or cases where payments were made to the contractor instead of the bank. (Finding Code No. 2021-001, 2020-001)

B. **FINDING** (Inadequate Internal Controls over Census Data)

During the financial audit of the Board for the year ended June 30, 2021, the Board did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During the current financial audit, we noted the Board had continued to work with SERS to reconcile its census data from underlying records to a report from each plan of census data submitted to the plan's actuary. (Finding Code No. 2021-002, 2020-002)

C. **FINDING** (Failure to Provide Requested Documentation in a Timely Manner)

During the prior examination, the Board did not provide all requested documentation to the auditors in a timely manner.

During the current examination, we noted the Board was able to provide requested documentation in a timely manner. (Finding Code No. 2020-003)

D. **FINDING** (Failure to Demonstrate the Completeness and Accuracy of the Report Components)

During the prior examination, the Board did not have adequate internal controls to demonstrate the schedules and components (report components) within the Board's Compliance Examination Report were complete and accurate.

During the current examination, the report components were not required for inclusion. (Finding Code No. 2020-009)