



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

Compliance Examination
 For the Two Years Ended June 30, 2020

Release Date: April 22, 2021

FINDINGS THIS AUDIT: 19				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	2018		20-6	
Category 2:	11	8	19	2016		20-9	
Category 3:	0	0	0	2012		20-2, 20-4, 20-5	
TOTAL	11	8	19	2010		20-3	
				2008		20-1	
FINDINGS LAST AUDIT: 10				2006		20-8	

SYNOPSIS

- **(20-3)** The Department did not submit or timely submit required reports in accordance with the mandates set forth in State Law.
- **(20-5)** The Department did not comply with various statutory mandates.
- **(20-7)** The Department’s organizational chart contains excessive vacancies and no longer reflects a usable representation of the organizational structure of the Department
- **(20-12)** The Department had not implemented adequate internal controls related to cybersecurity programs and practices.

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 COMMERCE AND ECONOMIC OPPORTUNITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

EXPENDITURE STATISTICS	2020	2019	2018
Total Expenditures.....	\$ 620,218,253	\$ 576,242,249	\$ 498,384,330
OPERATIONS TOTAL.....	\$ 87,301,318	\$ 94,092,290	\$ 81,303,574
% of Total Expenditures.....	14.1%	16.3%	16.3%
Personal Services.....	23,096,693	23,662,743	23,495,874
Other Payroll Costs (FICA, Retirement).....	14,388,405	13,743,166	13,603,580
All Other Operating Expenditures.....	49,816,220	56,686,381	44,204,120
AWARDS AND GRANTS.....	\$ 532,321,982	\$ 481,719,629	\$ 416,619,928
% of Total Expenditures.....	85.8%	83.6%	83.6%
REFUNDS.....	\$ 594,953	\$ 430,330	\$ 460,828
% of Total Expenditures.....	0.1%	0.1%	0.1%
Total Receipts.....	\$ 552,286,087	\$ 592,644,496	\$ 554,443,857
Average Number of Employees.....	270	230	245

AGENCY DIRECTOR
During Examination Period: Mr. Sean McCarthy (to 9/23/18); Ms. Leslie Munger (Acting) (9/24/18-1/11/19); Mr. Travis March (Acting) (1/12/19-1/20/19); Ms. Erin Guthrie (1/21/19-5/21/20); Mr. Michael Negrón (Acting) (from 5/22/20)
Currently: Ms. Sylvia I. Garcia (Acting) (effective 2/22/21)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO SUBMIT, OR TIMELY SUBMIT
REQUIRED REPORTS**

The Department of Commerce and Economic Opportunity (Department) did not submit or timely submit required reports in accordance with the mandates set forth in State Laws.

During testing of statutes applicable to the Department, auditors noted the following:

Survey on business incentives not completed

- The Department did not complete or submit a survey on business incentives based upon its contacts of businesses that are located in the State or have been identified as having left the State to the General Assembly by July 1, 2019 and 2018, respectively.

Report on Task Force on Opportunities for At-Risk Women not submitted

- The Department did not ensure the Task Force on Opportunities for At-Risk Women met at least quarterly or submitted the required report on January 1 of each year of the examination period.

Small business incubator sponsor reports not collected

- The Department did not collect incubator sponsor reports during the examination period. The Build Illinois Act allows the Department to designate unoccupied or nearly unoccupied properties as small business incubators for the purpose of encouraging and assisting the establishment and expansion of small business within the State.

Southwestern Illinois Metropolitan Regional Planning Commission report not created

- The Department did not create a report on the activities which describe how funds and appropriations were utilized as required by the Southwestern Illinois Metropolitan Regional Planning Act. (Finding 3, pages 17-19) **This finding has been repeated since 2010.**

We recommended the Department ensure necessary information is collected and required reports are timely submitted to the Governor and General Assembly or seek legislative remedy from the statutory requirements.

Department management accepted accountant's recommendation

The Department accepted our recommendation.

NONCOMPLIANCE WITH STATUTORY MANDATES

The Department of Commerce and Economic Opportunity (Department) did not comply with various statutory mandates.

During testing, auditors noted the following:

Strategic economic development plan not submitted

- The Department did not submit a strategic economic development plan to the Governor and General Assembly by July 1, 2019.

Monies for moving expenses not included in set-aside program

- The Department did not include in the existing Community Development Assistance set-aside program monies for moving expenses.
- The Department did not develop or adopt rules for an engineering excellence program.

Website did not contain a comprehensive list of economic benefits available to businesses

- Department's official website did not contain a comprehensive list of State, local, and federal economic benefits available to businesses in each of the State's counties and municipalities.

Website devoted to marketing Illinois goods not established

- The Department did not establish a website during the examination period devoted to marketing Illinois goods and services by linking potential purchasers with producers of goods and services who are located in the State.

Electronic database not created in a manner required by the Administrative Code

- The Department did create a database that provides access to research and business opportunities but did not allow access to users external to the Department and did not connect the database through international communication systems with appropriate domestic and worldwide networks users.

Programs not created or administered

- The Department did not administer the Illinois Main Street Program, the Industrial Development Assistance Law, and did not create the Clean Water Workforce Pipeline Program or the Human Services Capital Investment Grant Program.

Website not updated annually

- The Department maintained a website to help persons wishing to create new businesses or relocate businesses to Illinois; however, the Department did not update the website annually or send requests to other State agencies to report any applicable application form changes as required.

Assessment not completed timely

- The Department did not, in consultation with the General Assembly, timely complete an assessment of its current practices related to marketing program and the extent to which the Department assists Illinois residents in the use and coordination of programs offered by the Department.

Economic plan to assist businesses and municipalities close to bordering states not created

- The Department did not create the economic plan to assist businesses and municipalities located geographically close to bordering states. (Finding 5, pages 25-32) **This finding has been repeated since 2012.**

We recommended the Department seek or allocate resources to comply with its statutory requirements or seek a legislative remedy as appropriate.

Department management accepted accountant's recommendation

The Department accepted our recommendation.

EXCESSIVE VACANCIES ON THE ORGANIZATION CHART

The Department of Commerce and Economic Opportunity's (Department) organizational chart contains excessive vacancies and no longer reflects a usable representation of the organizational structure of the Department.

546 (66%) of organization chart's 823 positions are vacant

During the examination, we obtained the Department's most recently compiled organizational chart. For the two years ended June 30, 2020, the Department's organizational chart depicts 823 positions, of which 277 were filled and 546 were vacant (66%). The Department's current approved headcount is 359.

Highest Department headcount in the past twenty years is 528 in the year 2000

The Department's headcount, going back approximately 20 years, was highest in fiscal year 2000 at 528 employees. During inquiry with Department management during our examination, Department management stated their own analysis identified 100 vacancies, which was approximately a 41% increase from the Department's current headcount, they hoped to fill in the near future. One hundred vacancies is a much more realistic figure, and well short of the 546 vacancies shown on the organizational chart. (Finding 7, pages 37-39)

Department's analysis identified 100 vacancies

We recommended the Department annually evaluate and update its organizational chart to reflect the true reporting lines and programs of the Department.

Department management disagreed with accountant's recommendation

Department management disagreed with our recommendation stating reducing vacant positions from the Department's organizational chart would limit the Department's ability to agilely stand up new programs as they are mandated by the General Assembly and the process to establish new positions is very time consuming and involves many levels of approval from various other state agencies.

Accountants commented the Department's organization chart contains so many vacancies that it has become unworkable and unusable as an internal control tool to manage the Department's organization. The Department has not come

Accountant’s comment on Department’s response

close to employing the number of positions imagined within the organization chart in the last twenty years and envisions a scenario in which the Department would nearly triple its current headcount.

WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES

The Department of Commerce and Economic Opportunity (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

Department maintains confidential information

The Department maintains confidential information to assist in fulfilling its mission including, but not limited to, information pertaining to finance, economic development, human resources, and payroll. During the examination period, the Department utilized the common systems and support of the Department of Innovation and Technology (DoIT).

During our examination of the Department’s cybersecurity program practices, we noted the Department had not:

Did not analyze Department of Innovation and Technologies’ policies

- Solely relied on their own cybersecurity policies, but also relied on DoIT’s cybersecurity policies. However, the Department has not conducted an analysis of DoIT’s policies to ensure they apply to the Department’s environment.

Did not establish a formal framework for cybersecurity

- Established a formal framework including assigned responsibilities over cybersecurity.

Risk assessment not performed

- Performed a formal risk assessment to identify and ensure adequate protection of information most susceptible to attack.

Data not classified for susceptibility to attack

- Formally classified its data to establish the types of information most susceptible to attack to ensure adequate protection. (Finding 12, pages 48-49)

We recommended the Department:

- Conduct an analysis of DoIT’s policies to ensure they apply to the Department’s environment.
- Establish a framework identifying and assigning cybersecurity responsibilities.
- Perform a comprehensive risk assessment to identify all confidential information in electronic and hardcopy form in an effort to assess overall security over this information.

**Department management accepted
accountant's recommendation**

- Formally classify its data to establish the types of information most susceptible to attack to ensure adequate protection.

The Department accepted our recommendation and indicated a formal risk assessment was performed in December 2020 and they documented cybersecurity roles and responsibilities in March 2021.

OTHER FINDINGS

The remaining findings pertain to the following:

- Grant management
- Noncompliance with the Fiscal Control and Internal Auditing Act
- Not staffing boards, commissions, committees, and councils
- Administering tax credit programs
- Performance evaluations and time reporting not completed timely
- Inaccurate agency workforce report
- Employee training
- Exceptions identified with separation of interns
- Weaknesses in controls over information systems
- Inaccurate reporting of receivables
- Failure to prepare a complete and accurate analysis of overtime schedule

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 stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Sikich LLP.

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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