



**STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND
ECONOMIC OPPORTUNITY**

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
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

TABLE OF CONTENTS

	<u>Page(s)</u>
<i>State Compliance Examination Report</i>	
Department Officials.....	1-2
Management Assertion Letter	3-4
State Compliance Report:	
Summary	5-8
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance	9-11
Schedule of Findings	
Current Findings	12-50
Prior Findings Not Repeated.....	51
Status of Performance Audit Recommendations	52-58

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

DEPARTMENT OFFICIALS

Director (3/10/23 – Present)	Ms. Kristin Richards
Director (Acting) (1/13/23 – 3/9/23)	Ms. Kristin Richards
Director (3/22/22 – 1/12/23)	Ms. Sylvia I. Garcia
Director (Acting) (2/22/21 – 3/21/22)	Ms. Sylvia I. Garcia
Director (9/1/20 – 2/21/21)	Ms. Erin Guthrie
Director* (Acting) (5/22/20 – 8/31/20)	Mr. Michael Negron
*Acting Director during Director Guthrie’s maternity leave. Signature authority did not change	
Assistant Director (2/23/23 – Present)_	Mr. Khama Sharp
Assistant Director (Acting) (2/1/22 – 2/22/23)	Mr. Khama Sharp
Assistant Director (1/22/21 – 1/31/22)	Vacant
Assistant Director (Acting) (8/14/19 – 1/21/21)	Mr. Michael Negron
Chief of Staff (3/1/23 – Present)	Ms. Becky Locker
Chief of Staff (1/7/23 – 2/28/23)	Vacant
Chief of Staff (7/25/22 – 1/6/23)	Ms. Vanessa Uribe
Chief of Staff (9/7/21 – 7/24/22)	Mr. Casimir (Cas) Peters
Chief of Staff (8/16/20 – 7/8/21)	Ms. Cara Bader
Chief of Staff (Acting) (6/8/20 – 8/15/20)	Ms. Cara Bader
Chief Operating Officer (11/01/20 – Present)	Ms. Kimberly Hill
Chief Financial Officer (4/8/19 – Present)	Mr. Phil M. Keshen
Chief Accountability Officer (2/01/21 – Present)	Mr. Jared Walkowitz
Chief Accountability Officer (Acting) (11/01/20 – 1/31/21)	Ms. Kimberly Hill
Chief Accountability Officer (9/16/19 – 10/31/20)	Ms. Kimberly Hill
General Counsel (6/1/22 – Present)	Mr. Garrett Carter
General Counsel (1/27/20 – 5/31/22)	Ms. Michelle Masoncup
Chief Internal Auditor (7/16/22 - Present)	Vacant
Chief Internal Auditor (2/1/20 – 7/15/22)	Mr. Nicholas Barnard

Department offices are located at:

607 East Adams
Springfield, Illinois 62701

1 West Old State Capital Plaza
Springfield, Illinois 62701

100 West Randolph Street
Suite 3-400
Chicago, Illinois 60601

2309 West Main
Marion, Illinois 62959

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

The Department maintains additional office locations at:

Local Offices

Springfield, Chicago, Marion

Regional Offices

Central – Springfield (same as local office)

Southeast – Effingham

North Central – Peoria, Canton

Northeast – Lisle, Chicago (same as local office)

Northern Stateline – Rockford

Northwest – Viola

Southern – Marion (same as local office)

West Central – Galesburg, Quincy

Foreign Offices

Western Europe – Brussels, Belgium

North Asia – Tokyo, Japan

Far East – Wanchai, Hong Kong (closed as of 7/1/18)

Central America/Caribbean – Mexico City, Mexico

Canada – Toronto, Ontario

China – Shanghai, China

Middle East – Jerusalem, Israel



**Illinois
Department of Commerce
& Economic Opportunity**
JB Pritzker, Governor

MANAGEMENT ASSERTION LETTER

March 21, 2023

Sikich LLP
3051 Hollis Drive, 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, Department of Commerce and Economic Opportunity (Department). 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 Department'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 Department has materially complied with the specified requirements listed below.

- A. The Department 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 Department 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. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department 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 Department 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 Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Commerce and Economic Opportunity

SIGNED ORIGINAL ON FILE

Kristin Richards, Director

SIGNED ORIGINAL ON FILE

Phil M. Keshen, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Garrett Carter, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
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 or disclaimers but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	18	19
Repeated Findings	15	8
Prior Recommendations Implemented or Not Repeated	4	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	12	2020/ 2012	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2022-002	14	2020/ 2010	Failure to Submit, or Timely Submit Reports	Significant Deficiency and Noncompliance
2022-003	16	2020/ 2012	Boards, Commissions, Committees and Councils Not Fully Staffed	Significant Deficiency and Noncompliance
2022-004	19	2020/ 2012	Noncompliance with Statutory Mandates	Significant Deficiency and Noncompliance
2022-005	25	2020/ 2018	Weaknesses in Tax Credit Programs Administered by the Department	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-006	27	2020/ 2020	Excessive Vacancies on the Organizational Chart	Significant Deficiency and Noncompliance
2022-007	30	2020/ 2006	Employee Performance Evaluations Were Not Completed Annually and Timely	Significant Deficiency and Noncompliance
2022-008	32	2020/ 2016	Weaknesses in Employee Time Reporting	Significant Deficiency and Noncompliance
2022-009	34	2020/ 2020	Mandatory Employee Training Not Completed	Significant Deficiency and Noncompliance
2022-010	35	2020/ 2020	Agency Workforce Reports Not Accurately Completed	Significant Deficiency and Noncompliance
2022-011	37	New	Failure to Timely Certify Statement of Economic Interest Information	Significant Deficiency and Noncompliance
2022-012	38	2020/ 2020	Weaknesses in Cybersecurity Programs and Practices	Material Weakness and Material Noncompliance
2022-013	41	2020/ 2020	Exceptions Identified in Employment Separation with Interns	Significant Deficiency and Noncompliance
2022-014	42	2020/ 2020	Computer System Access Weaknesses	Significant Deficiency and Noncompliance
2022-015	45	2020/ 2020	Failure to Review External Service Providers' Internal Controls	Material Weakness and Material Noncompliance
2022-016	47	2020/ 2020	Controls over Change Management Procedures Need Improvement	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-017	49	New	Recovery Plan Weakness	Significant Deficiency and Noncompliance
2022-018	50	New	Data Wiping Internal Control Weaknesses	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	51	2020/ 2008	Failure to Apply the Grantee Compliance Enforcement System to All Grants	
B	51	2020/ 2020	Failure to Define Roles and Responsibilities with the Department of Innovation and Technology	
C	51	2020/ 2020	Inaccurate Aging of Receivables	
D	51	2020/ 2020	Failure to Prepare a Complete and Accurate Analysis of Overtime Schedule	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 14, 2023.

Attending were:

Department of Commerce and Economic Opportunity
 Kristin Richards, Director
 Kimberly Hill, Chief Operating Officer
 Jared Walkowitz, Chief Accountability Officer
 Megan Buskirk, Assistant Deputy Director, Office of Accountability
 Robert Bailey, Audit Liaison/External Accountability
 Lisa Clement, Management Operations Analyst

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

EXIT CONFERENCE (Continued)

Office of the Auditor General

Dennis Gibbons, Audit Manager

Scott Wahlbrink, Performance Audit Manager

Sikich LLP

Amy L. Sherwood, Partner

Sarah Hammond, Staff Accountant

The responses to the recommendations were provided by Megan Buskirk, Assistant Deputy Director, Office of Accountability, in a correspondence dated March 20, 2023.

3051 Hollis Drive, 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

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Commerce and Economic Opportunity (Department) 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 Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department’s compliance with the specified requirements based on our examination.

The specified requirements are:

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

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 Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-012 and 2022-015, the Department 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 with the specified requirements described in the preceding paragraph, the Department 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, 2022-013 through 2022-014, and 2022-016 through 2022-018.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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 Department 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 Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings as items 2022-012 and 2022-015 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-011, 2022-013 through 2022-014, and 2022-016 through 2022-018 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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
March 21, 2023

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. FINDING (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Commerce and Economic Opportunity's (Department) internal auditing program did not fully comply with the Fiscal Control and Internal Auditing Act (Act or FCIAA).

The Department's Office of Internal Audit (OIA) conducted a total of six internal audits during Fiscal Years 2021 and 2022, three in Fiscal Year 2021 and three in Fiscal Year 2022. Within these audits, only seven of the eleven FCIAA major event/transaction cycles applicable to the Department were addressed to ensure major systems are reviewed at least once every two years. The OIA failed to audit budgeting, accounting and reporting; property, equipment and inventories; revenue, receivables and cash; and grant administration.

The Act (30 ILCS 10/2003) requires the chief executive officer of each designated State agency ensure the internal auditing program includes audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. The audits must include testing of the obligation, expenditures, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and grants received or made by the designated State agency to determine the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.

This finding was first noted during the Department's compliance examination for the two years ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Department management indicated the failure to comply with the Act was due to staffing constraints.

The major areas of internal control must be audited by internal audit on a regular basis to ensure adherence to an effective internal control system. Failure to perform regular internal audits of major systems of internal and administrative controls may result in weaknesses in internal control not being timely detected. (Finding Code No. 2022-001, 2020-002, 2018-002, 2016-002, 2014-003, 12-2)

RECOMMENDATION

We recommend the Department address its staffing limitations and conduct internal audits of major systems and administrative controls at least once every two years in compliance with the Act.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. FINDING (Noncompliance with the Fiscal Control and Internal Auditing Act)
(Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation. In Fiscal Year 2022, the Department hired an additional Office of Internal Audit staff member and is actively working to backfill the recently vacant Chief Internal Auditor position.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. FINDING (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 Law.

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

- The Department did not ensure the Task Force on Opportunities for At-Risk Women (Task Force) met at least quarterly or submitted the required report on January 1 of each year of the examination period as required by the Opportunities for At-Risk Women Act (20 ILCS 5075/5 and 15). The Department did not submit an annual report for Calendar Year 2020 to the Governor and General Assembly. Additionally, the Department did not submit the Calendar Year 2021 report by the required date of January 1, 2022. The report was submitted on January 12, 2022, 11 days late. The Opportunities for At-Risk Women Act mandates the Department provide administrative support, technical assistance, meeting space, and funding for the Task Force. The Opportunities for At-Risk Women Act also requires the Task Force to meet at the call of the chair, but not less than quarterly. The Task Force, on or before January 1, 2018, and on or before January 1 of each year thereafter, is to report to the Governor and the General Assembly on its activities and include any recommendations for legislation or rulemaking to facilitate its work in the targeted areas of assistance and outsourcing. Department management indicated there were no meetings of the Task Force during the examination period due to membership turnover and reduced bandwidth at the Department due to focusing on the COVID-19 emergency response activities. Department management indicated the failure of the Task Force to meet during the examination period impacted the noncompliance related to the report submissions.
- The Department failed to timely submit the Fiscal Year 2022 annual report to the Governor and the General Assembly as required by the Cannabis Regulation and Tax Act (410 ILCS 705/7-15 (e)). The report was submitted on January 25, 2022, 24 days late. The Cannabis Regulation and Tax Act states, beginning January 1, 2021 and each year thereafter, the Department shall annually report to the Governor and the General Assembly on the outcomes and effectiveness of this Section. Department management indicated the report was submitted late due to confusion about the redundancy of the requirement with a previously submitted report.

Failure to submit or timely submit required reports was first noted during the Department's compliance examination for the two years ended June 30, 2010. In the subsequent years, the Department has been unsuccessful in implementing corrective action for this noted weakness.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. FINDING (Failure to Submit, or Timely Submit Required Reports) (Continued)

In the previous examination, the Department did not collect incubator sponsor reports during the examination period as required by the Build Illinois Act (30 ILCS 750/11). The Department's responsibilities regarding the previously mentioned mandate were removed by Public Act 102-0330 effective January 1, 2022. Additionally, in the previous examination, 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 (70 ILCS 1710/35). During the current examination, the required reports were collected and submitted timely.

Failure to submit or timely submit required reports inhibits accumulation of meaningful oversight information for the Governor and General Assembly. (Finding Code No. 2022-002, 2020-003, 2018-003, 2016-003, 2014-004, 12-4, 10-5)

RECOMMENDATION

We recommend 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 RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. FINDING (Boards, Commissions, Committees and Councils Not Fully Staffed)

The Department of Commerce and Economic Opportunity (Department) did not ensure that certain boards, commissions, committees, or councils mandated to provide guidance to the Department had the required number of members or met as required during the examination period.

During testing of statutes applicable to the Department requiring various boards, commissions, committees and councils, the auditors noted the following:

- The Department did not ensure the Coordinating Committee of State Agencies met as required by the Illinois Promotion Act (20 ILCS 665/4b) and the Director did not serve as its chairman. The Illinois Promotion Act creates a Coordinating Committee of State Agencies (Committee) involved with tourism in the State of Illinois. The Department's Director is to be the chairman of the Committee. Department management indicated the Department was noncompliant because the Committee has not convened since 2016.
- The Department did not formally appoint a liaison to serve ex-officio on the Illinois African-American Family Commission (Commission). The Illinois African-American Family Commission Act (20 ILCS 3903/20) requires the Department to appoint a liaison to serve ex-officio on the Commission. Department management indicated no meetings occurred during the examination period and the Commission remains inactive. As a result, the Department did not appoint a liaison.
- The Department did not appoint a liaison to serve as ex-officio member on the Illinois Latino Family Commission for the entire examination period. The Illinois Latino Family Commission Act (20 ILCS 3983/20) requires the Department to appoint a liaison to serve ex-officio on the Illinois Latino Family Commission. Department management indicated it did not appoint a new liaison to serve as ex-officio member on the Illinois Latino Family Commission as the Illinois Latino Family Commission remained nonoperational and no meetings occurred during the examination period.
- The Department did not participate in the Illinois Muslim American Advisory Council (Council). The Illinois Muslim American Advisory Council Act (20 ILCS 5110/20(e)) requires the Deputy Director of the Office of Trade and Investment within the Department, or his or her designee, to serve as an ex-officio member on the Council. Department management indicated the Council is overseen by the Governor's Office. Department management indicated that while the Office of Trade and Investment Deputy Director is ready to participate, there have been no meetings called of the Council since 2015.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. FINDING (Boards, Commissions, Committees and Councils Not Fully Staffed)
(Continued)

- The Department’s Director was appointed a member of the Illinois Ethanol Research Advisory Board (Board). The Department’s representative attended one of two (50%) meetings held during the examination period. The Southern Illinois University Management Act (110 ILCS 520/6.6) (Act) establishes the Board, of which the Department’s Director is a member. The Act states the Board shall meet annually, or at the call of the Chairman, and shall review the annual operating plans and budget of the National Corn-to-Ethanol Research Pilot Plant and advise on research and development priorities and projects carried out at the plant, among other duties included in the Act. Department management indicated the Department has been in contact with Southern Illinois University to notify them the Department is available to participate on the Illinois Ethanol Research Advisory Board; however, the Illinois Ethanol Research Advisory Board has been inactive since 2015.
- The Director or designee of the Department was not present at three of 10 (30%) of the Restore, Reinvest, and Renew Program Board meetings held during the examination period. The Cannabis Regulation and Tax Act (410 ILCS 705/10-40) (Act) states the Director of the Department or his or her designee shall serve as an ex-officio member of the Restore, Reinvest, and Renew Program Board. Department management indicated they were unable to comply with the Act due to competing priorities and employee turnover.

Failure to appoint representatives, communicate vacancies, or ensure regular attendance of meetings was first noted during the compliance examination for the two years ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing corrective action for this noted weakness.

In the previous examination, we noted noncompliance regarding the Illinois Literacy Act (15 ILCS 322/20) and Illinois Emergency Employment Development Act (20 ILCS 630/11). The Department’s responsibilities regarding the previously mentioned mandates was removed by Public Act 102-0276 effective August 6, 2021. In the previous examination, we noted noncompliance regarding the Immigration Task Force Act (20 ILCS 5155/5). The Department’s responsibilities regarding this mandate were removed by Public Act 101-0501 on January 1, 2021. In the previous examination, we noted noncompliance regarding the Illinois Grant Funds Recovery Act (30 ILCS 705/15.1). This statute was repealed as scheduled within the Act on July 1, 2019. Finally, in the previous examination, auditors noted noncompliance regarding the Illinois Municipal Code (65 ILCS 5/10-6-10 through 20). The Department’s participation in the Quad Cities Outsourcing Prevention Task Force was removed by the repealment of these portions of the statute effective January 1, 2021.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. FINDING (Boards, Commissions, Committees and Councils Not Fully Staffed)
(Continued)

Noncompliance noted in the previous examination regarding the Women’s Business Ownership Act of 2015 (20 ILCS 5060/5), the Illinois Route 66 Centennial Commission Act (20 ILCS 5125/10), and the Bikeway Act (605 ILCS 30/4) was not repeated due to the corrective action implemented by the Department within the examination period.

Failure to appoint representatives, communicate vacancies, or ensure regular attendance of meetings prevents or hinders the boards, commissions, committees, or councils, which are mandated to provide guidance to or from the Department, from carrying out their duties in accordance with the statutes. (Finding Code No. 2022-003, 2020-004, 2018-004, 2016-004, 2014-005, 12-6)

RECOMMENDATION

We recommend the Department appoint the required designees and attend the meetings as mandated by statute to the applicable boards, commissions, committees and councils; or, when applicable, continue to formally communicate to the Governor’s Office the need to fill the vacancies to comply with the required membership in the mandated boards, commissions, committees, and councils. Further, when the Department deems it appropriate, they should seek legislative remedy from the statutory requirement.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates)

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

During testing, we noted the following:

- The Department did not make any annual modifications to the five-year plan that was drafted in 2019. The Department also did not consult with the representatives of the private sector, other State agencies, academic institutions, and local economic development organizations in the development of the annual economic development plan since no modifications were made to the five-year plan. The Civil Administrative Code (20 ILCS 605/605-300) (Code) states the Department shall develop a strategic economic development plan by July 1, 2014, and that by no later than July 1, 2015, and by July 1 annually thereafter, the Department shall make modifications to the plan as modifications are warranted by changes in economic conditions or by other factors, including changes in policy. Department management indicated an internal, informal assessment to determine if modifications were warranted was conducted and they determined modifications were not warranted. Department management indicated the informal process included review and internal discussions to determine whether the Department anticipates sufficient deviations from the goals and initiatives laid out in the five-year plan to warrant a modified plan. Department management indicated it did not maintain documentation to support its internal informal assessment.

The failure to modify the five-year plan and consult with representatives of the private sector, other State agencies, academic institutions, and local economic development organizations represents noncompliance with the Code and impairs the Department's ability to ensure the strategic economic development plan is current related to present economic conditions. Additionally, failure to maintain documentation supporting the Department's internal assessments to determine whether the plan requires modification impairs the Department's ability to provide evidence that it assessed the need for modification and complied with the Code.

- The Department failed to comply with the Code regarding the Office of Urban Assistance. Since 2016, the Department's Office of Urban assistance has been inactive, and has not fulfilled the duties listed in the Code (20 ILCS 605/605-400) to plan and coordinate existing State programs designed to aid and stimulate the economic growth of depressed urban areas. Department management indicated the lack of compliance was due to a lack of sufficient resources devoted to this area. Department management indicated it believed these services are provided to these communities through other programs at the Department.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates) (Continued)

Failure to use the Office of Urban Assistance to aid and stimulate economic growth of depressed urban areas represents statutory noncompliance and hinders economic growth in already depressed urban areas.

- The Department did not adopt and implement rules as required by the Code (20 ILCS 605/605-456) regarding business incentives. The Code requires the Department to adopt rules for the implementation of this Section. Department management indicated the Department did not adopt rules because the section was seen as self-explanatory by the Department.

Failure to adopt rules for the implementation of this program represents noncompliance with State law.

- The Department did not comply with the Code (20 ILCS 605/605-465) which requires the Department's official website to contain a comprehensive list of State, local, and federal economic benefits available to businesses in each of the State's counties and municipalities that the Department includes on its website. Department officials indicated the noncompliance was due to the lack of resources and capacity to aid statutory compliance.

The failure to comply with this requirement of the Code prevents the State from providing the public a comprehensive list of economic benefits available to Illinois businesses in a centralized location using the Department's website.

- The Department did not establish a freight rate information service for U.S. and foreign shippers in cooperation with the Department of Agriculture and the International Trade and Port Promotion Advisory Committee. The Code (20 ILCS 605/605-625) requires the Department to establish a freight rate information service for U.S. and foreign shippers in cooperation with the Department of Agriculture and the International Trade and Port Promotion Advisory Committee. Department management indicated a freight rate information service was not established because every case is so specific (weight, location, product, destination, regulations) and a website or document could not accommodate the variances. Department management indicated the Department instead provides supporting services by referring companies to service providers and shipping companies to address their logistical needs.

Failure to establish a proper freight rate information service could result in increases in freight costs and increase the risk of accidents happening due to unintentional overloading.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates) (Continued)

- The Department did not create the Clean Water Workforce Pipeline Program as required by the Code (20 ILCS 605/605-913(b) through (d)). The Code requires the Department to create a Clean Water Workforce Pipeline Program (Program) to provide grants and other financial assistance to prepare and support individuals for careers in water infrastructure. Grants and other financial assistance may be made available on a competitive annual basis to organizations that demonstrate the capacity to recruit, support, train, and place individuals in water infrastructure careers. Department management indicated appropriations had not been sought for this program due to competing priorities.

Failure to carry out the duties described in the Code results in lost financial assistance opportunities for individuals searching for careers in water infrastructure.

- The Department failed to comply with the Code (20 ILCS 605/605-940 (10) thru 605/605-940 (16)). The Code states the Department shall prepare uniform budgetary forms for use by the local governments of the State and be a repository for financial reports and statements required by law of local governments of the State and publish financial summaries of those reports and statements. The Code states the Department shall prepare proposals and advice on the investment of idle government funds and shall administer the program of grants, loans, and loan guarantees under the federal Public Works and Economic Development Act of 1965 and receive and disburse State and federal funds provided for that program and moneys received as repayments of loans made under the program. The Code states the Department shall, upon the request of local governments, prepare and provide model financial statement forms designed to communicate to taxpayers, service consumers, voters, government employees, and news media, in a non-technical manner, all significant financial information regarding a particular local government, and to prepare and provide to local governments a summary of local governments' obligations concerning the adoption of an annual operating budget. The Department did not perform these activities during the examination period. Department management indicated the noncompliance occurred due to inadequate resources.

Failure by the Department to provide the information, services, and tools to local governments as required by the Code could negatively impact multiple local governments and their financial situations.

- The Department failed to comply with the Illinois Emergency Employment Development Act (20 ILCS 630) (Act) during the examination period because the position of Illinois Emergency Employment Development coordinator (coordinator) did not exist. Since the position did not exist, the coordinator did not administer the program within the Department. Additionally, the Department did not provide administrative support services to the coordinator for the purposes of the program, nor did the Director establish priorities by rule for the allocation of funds among eligible employers within each service delivery area, in accordance with the coordinator's recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates) (Continued)

The Act requires the Department to house the coordinator. The coordinator shall administer the Illinois Emergency Employment Development Program within the Department, and the Director of the Department must provide administrative support services to the coordinator for the purposes of the program. Additionally, the Department Director, upon recommendation of the coordinator, must prioritize allocation of funds among eligible employers within each service area to the Private Industry Council. Department management indicated the coordinator position creates a duplicative structure within the Workforce Innovation and Opportunity Act and the Local Workforce Innovation Areas.

Failure to comply with the Act represented statutory noncompliance and could have resulted in missed opportunities to assist State agencies, especially employment administrators in service delivery areas, in hiring individuals for open positions.

- The Department did not create the economic plan to assist businesses and municipalities located geographically close to bordering states as required by the Illinois Home Grown Business Opportunity Act (20 ILCS 725/5 and 15) (Act). The purpose of the Act is to establish resources for businesses and municipalities located geographically close to bordering states, so that those businesses and municipalities can identify existing State services and resources to help them be more competitive with bordering states. The Act outlines the required elements of the plan. The information and resources collected and established by the Department is to be available to the public and posted on the Department's Internet website. The Act became effective January 1, 2019. Department management indicated, as it did in the previous examination, the Act does not include a date or reference to a given time period in the statute for when the economic plan is to be completed, and the Department plans to complete the economic plan in the future.

The failure to create this economic plan could result in a lack of assistance and representation for the businesses and municipalities located geographically close to bordering states.

- The Department failed to comply with the Illinois Works Jobs Program Act (30 ILCS 559/20-15 through 559/20-25) (Act). During the examination period, the Department did not create or administer the Illinois Works Bid Credit Program and the Illinois Works Credit Bank as required by the Act. The Act states the Department shall create and administer the Illinois Works Bid Credit Program that shall provide economic incentives, through bid credits, to encourage contractors and subcontractors to provide contracting and employment opportunities to historically underrepresented populations in the construction industry. The bid credit rate is to be established by the Department, and the Department was to establish the rate by rule and publish it on their website. The Act also stated the Department was to administer the Illinois Works Credit Bank to track the bid credits from the program.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates) (Continued)

Department management indicated much of the planning and design of the program was completed during the engagement period, but the Department was unable to fully implement the program. Department management indicated the Act requires that bid credits be issued to companies hiring apprentices through a specific pipeline. Department management indicated the pre-apprenticeship program was implemented in Calendar Year 2022, and the Department has begun to create the pipeline of apprentices required to be hired by companies to be eligible for the bid credits. Department management indicated it expect companies to begin seeking bid credits in the middle of Calendar Year 2023.

- The Department did not administer the Industrial Development Assistance Law (30 ILCS 720/4) (Law) which requires the Department to recognize industrial development agencies. The Law states the Department, upon receipt of certified copies of such resolutions from industrial development agencies that have been chosen to act within a particular county, shall recognize such industrial development agency as the sole such agency within the county. In addition, the Department did not make grants to recognized industrial development agencies during the examination period, or develop the necessary rules and regulations and prescribe procedures in order to assure compliance by industrial development agencies in carrying out the purposes for which the grants may be made, as it was authorized to do so by Sections 5 and 7 of the Law, respectively.

Department management indicated the Department was not in compliance with the statute during the examination period because the Department is planning to submit the statute to the General Assembly for statutory modification.

The failure by the Department to administer the Law could prevent the State from providing the assistance it intended to industrial development agencies.

- The Department failed to comply with the Broadband Advisory Council Act (220 ILCS 80/25) (Act). The Department did not include a schedule for implementation of free universal broadband in either the Broadband Advisory Council’s study or the summary website for the goal of providing free access to all residents of Illinois to broadband service. The Act states the Broadband Advisory Council’s study shall include a recommended schedule for implementation of free universal broadband to the extent determined to be feasible. Department management indicated the noncompliance occurred because producing a reliable, comprehensive implementation schedule is difficult.

Failure to provide a schedule for implementation could prevent legislators from adequately evaluating the efficacy of the goal to provide free broadband service access to Illinois residents.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. FINDING (Noncompliance with Statutory Mandates) (Continued)

This finding was first noted during the compliance examination for the two years ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

In the previous examination, the Department did not comply with certain portions of the Code (20 ILCS 605/605-340, 605-460, 605-615(6), 605-1007), or with requirements of the Illinois Main Street Act (20 ILCS 720/15 through 30). Public Act 102-0276, effective August 6, 2021, repealed Section 605-340 of the Code, changed the language of Section 605-460 to permissive, and made the requirements of Section 605-1007 subject to appropriation. Public Act 102-1071 removed the requirement in Section 605-615(6) for the database to be publicly accessible effective June 10, 2022. Public Act 102-1071 also made the requirements of the Illinois Main Street Act subject to appropriation.

In addition, in the previous examination, the Department did not comply with portions of the Code (20 ILCS 605/605-680; 605-1025; and 605-1030). Auditors noted the Department implemented corrective action regarding this noncompliance during the examination period. (Finding Code No. 2022-004, 2020-005, 2018-005, 2016-005, 2014-006, 12-7)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. FINDING (Weaknesses in Tax Credit Programs Administered by the Department)

The Department of Commerce and Economic Opportunity (Department) did not properly administer the following tax programs.

Film Production Services Tax Credit Act of 2008

The annual reports for Fiscal Year 2020 and 2021 did not include all the required vendor information. The reports did not contain a statement as to whether the vendor is a minority-owned business or a women-owned business, as defined under Section 2 of the Business Enterprises for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575) (Act) for each vendor.

The Film Production Services Tax Credit Act of 2008 (35 ILCS 16/45) requires the Department at the end of each fiscal year submit to the General Assembly a report that includes a statement as to whether the vendor is a minority-owned business or a women-owned business, as defined under Section 2 of the Act.

Department management indicated the reports during the examination period did not contain the required information because previous tax credit agreements did not contain the requirement.

Live Theater Production Tax Credit Act

The annual report submitted in Fiscal Year 2021 did not include all required vendor information. It did not contain a statement as to whether the vendors paid were minority-owned or women-owned business, as defined under Section 2 of the Act for each vendor.

The Live Theater Production Tax Credit Act (35 ILCS 17/10-50) requires the Department at the end of the fiscal year to submit to the General Assembly a report that includes a statement of the amount paid to each identified vendor and whether the vendor is a minority-owned or a women-owned business as defined under Section 2 of the Act.

Department management indicated the report submitted during the examination period did not contain the required information because previous tax credit agreements did not contain the requirement.

In the previous examination, we noted noncompliance regarding the Economic Development for a Growing Economy Tax Credit (EDGE) Act (20 ILCS 605/605-320). This section of the statute was repealed by Public Act 102-0330, effective January 1, 2022. In addition, in the previous examination, we noted noncompliance regarding the Angel Investment Credit Program (Illinois Income Tax Act (35 ILCS 5/220(d))). No exceptions were noted regarding the Angel Investment Credit Program during the current examination.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. FINDING (Weaknesses in Tax Credit Programs Administered by the Department)
(Continued)

This finding was first noted during the compliance examination for the two years ended June 30, 2018. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Administering, adequately documenting, and accurately reporting tax credit programs is necessary in order to verify compliance with the applicable statutes and ensure State resources are utilized on qualified investments. (Finding Code No. 2022-005, 2020-006, 2018-006)

RECOMMENDATION

We recommend the Department ensure the reporting related to tax credit programs include the statutorily required information.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
 SCHEDULE OF FINDINGS – CURRENT FINDINGS
 For the Two Years Ended June 30, 2022

2022-006. FINDING (Excessive Vacancies on the Organizational 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.

During the examination, we obtained the Department’s most recently compiled organizational chart. For the two years ended June 30, 2022, the Department’s organizational chart depicts 772 positions, of which 194 were filled and 578 were vacant (75%). Additionally, the Department provided its own Organizational Chart Analysis table. This analysis showed 859 total positions, of which 323 were filled and 536 were vacant (62%). The Department indicated these numbers were a better representation of number of positions by office within the Department. A tabular analysis by office within the Department:

DCEO Offices	Number of Positions	Number of Vacancies	Filled Positions	% Positions Vacant
Director's Office	30	17	13	57%
Assistant Director's Office	4	1	3	25%
Accountability	35	21	14	60%
Broadband Development	5	3	2	60%
Business Development	50	35	15	70%
Community Assistance	73	30	43	41%
Community Development	38	28	10	74%
Employment & Training	146	87	59	60%
Entrepreneurship, Innovation & Technology	55	42	13	76%
Equal Opportunity Monitoring & Compliance	10	7	3	70%
External Relations	18	14	4	78%
Financial Management	65	47	18	72%
General Counsel	15	8	7	53%
Grants Management	34	9	25	26%
Human Resources	14	5	9	36%
IL Works	12	7	5	58%
Illinois Film Office	16	9	7	56%
Internal Audit	10	6	4	60%
Legislative Affairs	7	4	3	57%
Management Operations	21	13	8	62%
Minority Economic Empowerment	24	18	6	75%
Policy Development Planning & Research	17	13	4	76%
Regional Economic Development	56	40	16	71%
Tourism	17	10	7	59%
Trade & Investment	13	6	7	46%
Urban Assistance	6	6	-	100%
Information Management (DoIT)	68	50	18	74%
Total	859	536	323	62%

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. FINDING (Excessive Vacancies on the Organizational Chart) (Continued)

The Department’s headcount, going back approximately 20 years, was highest in Fiscal Year 2004 at 519 employees. During inquiry with Department management during our examination, Department management stated it does not view “vacant” positions on the organizational chart as needed to be filled in a specific time frame. Rather vacancies on the organizational chart are placeholders for positions that can be filled and are part of the approved headcount.

Management explained that intern or trainee positions are considered “target” position titles. This means for every intern or trainee position there is a separate position listing that must tie to that individual. As these jobs are created for one position, there are positions on the organizational chart that are unfillable. The Department had 48 unfillable positions in their analysis, making total fillable vacancies 488 (57% of the number of positions listed by the Department).

Department management explained the Department is actively trying to hire for these vacant positions, and management holds weekly meetings to discuss hiring practices and expectations. A hiring pipeline spreadsheet is used to outline the status of current openings and their hiring status and is frequently updated by management.

The Department disagreed with this finding. Department management reiterated its position from the previous examination and indicated it maintains established positions on the organizational chart in order to be agile as new mandates require programs to be established and staffed expediently. Department management stated it is difficult and time-consuming to establish new positions in government, so strategically maintaining established positions is critical for operations and compliance.

An organizational chart is a pictorial representation of an agency’s structure which should clearly indicate the reporting relationship between the employees within the organization. The organizational chart graphically should illustrate the concept known as a “chain of command” and show the flow of authority, responsibility, and communication.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001 (1)) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law.

Failing to utilize and maintain an up-to-date organizational chart with true reporting lines and programs existing within the Department diminishes the usefulness of the organizational chart as an element of internal control. (Finding Code No. 2022-006, 2020-007)

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. FINDING (Excessive Vacancies on the Organizational Chart) (Continued)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department disagrees with the finding and recommendation on the premise that the criteria applied to the Department was a best practice for non-governmental organization. Governmental agencies do not operate in the same manner as non-governmental organizations due to the levels of bureaucracy required. To be agile and swiftly responsive to new or changing legislation, the Department strategically maintains positions in the organization chart because lead times for establishing positions have historically been very long. However, lead times for many of our position types have recently been reduced. Therefore, the Department began the process to eliminate many of the vacant positions on the organization chart.

ACCOUNTANT'S COMMENT

An organizational chart should be a pictorial representation of an agency's lines of authority and communication to assist management with managing the organization and only include vacancies expected to be filled within a reasonable period of time. The Department's organizational chart contains so many vacancies that its usefulness as a management tool has been significantly degraded.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. FINDING (Employee Performance Evaluations were Not Completed Annually and Timely)

The Department of Commerce and Economic Opportunity (Department) did not perform annual employee performance evaluations for all employees and did not perform certain employee performance evaluations on a timely basis.

During testing of employee files for performance evaluations, we noted the following:

- Seven of 40 (18%) employees tested did not have an annual performance evaluation completed in either Fiscal Year 2021 or 2022.
- Evaluations for 14 of 40 (35%) employees tested were completed 33 to 303 days after they were due.

This finding was first noted during the compliance examination for the two years ended June 30, 2006. In the subsequent years, the Department has been unsuccessful in implementing corrective action.

Personnel rules issued by the Department of Central Management Services (80 Illinois Administrative Code 302.270 (d)) require performance records to include an evaluation of employee performance prepared by each agency not less often than annually. The Department's Employee Policy Manual Section 2.13 (Employee Evaluations) states, "Evaluations must take place no less than every twelve (12) months unless otherwise specified under the Illinois Personnel Rules."

Department officials indicated the failure to complete or timely complete performance evaluations were due to employees' and supervisors' competing priorities.

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. Employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2022-007, 2020-008, 2018-008, 2016-010, 2014-010, 12-3, 10-3, 08-5, 06-4)

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. FINDING (Employee Performance Evaluations were Not Completed Annually and Timely) (Continued)

RECOMMENDATION

We recommend the Department timely complete employee performance evaluations and continue to monitor compliance with the Illinois Administrative Code and Department policy.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. FINDING (Weaknesses in Employee Time Reporting)

The Department of Commerce and Economic Opportunity (Department) had weaknesses in controls over employee time reporting.

The Department utilizes the automated eTime system for reporting and summarizing the employees' work hours and time off. Each employee is expected to submit a weekly timesheet in the eTime system for approval by the supervisor.

During our testing of 40 timesheets, we noted three (8%) were not submitted by employees timely. The timesheets were submitted between four to five business days late after the timesheet period end date.

This finding was originally noted during the compliance examination for the two years ended June 30, 2016. In the subsequent years, the Department has been unsuccessful in completely implementing corrective action.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5 (c)) requires State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

The Department's Employee Policy Manual (Manual) Section 2.5 states, "All employees are required to submit their Daily Time Report within the eTime system for approval. The report must accurately reflect: (a) time spent on official state business, and (b) authorized leave to the nearest quarter hour. Employees submitting the Daily Time Reports do not have to account for authorized break times, but lunch periods should be accurately recorded. The Daily Time Report must be submitted in a reasonable time to ensure accurate attendance and use of benefit time." Further, the Manual (Section 2.5.1) requires each employee to electronically submit their Daily Time Report to verify its accuracy and submit to their immediate supervisor for approval. Because Department employees are paid every two weeks, we utilized a 14-day grace period to evaluate reasonableness.

Department management indicated the noncompliance was the result of oversight from Department personnel and their supervisors.

Not ensuring the timesheets of employees are submitted timely can result in the Department lacking documentation supporting the time spent by the employees on official State business as required by the State Officials and Employees Ethics Act. (Finding Code No. 2022-008, 2020-009, 2018-010, 2016-012)

RECOMMENDATION

We recommend the Department strengthen controls and monitor the eTime system to ensure employees' time records are completed and submitted timely.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. FINDING (Weaknesses in Employee Time Reporting) (Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-009. FINDING (Mandatory Employee Training Not Completed)

The Department of Commerce and Economic Opportunity (Department) did not ensure its employees completed the mandatory training.

During testing of the Department’s training policies, auditors noted one of seven (14%) tested new employees did not complete mandatory trainings within 30 days of employment. Ethics training was completed 17 days late, sexual harassment training was completed 31 days late, and security awareness training was completed 19 days late.

The Illinois Human Rights Act (775 ILCS 5/2-105 (B)(5)(c)) requires the Department to establish, maintain and carry out a continuing sexual harassment program that provides training on sexual harassment prevention and the Department’s sexual harassment policy as a component of all ongoing or new employee training programs. The State Officials and Employee Ethics Act (5 ILCS 430/5-10 and 5-10.5) requires each officer, member, and employee to complete at least annually an ethics and sexual harassment training program. A person who fills a vacancy in an elective or appointed position that requires training under this Section must complete his or her initial training program within 30 days after commencement of his or her office or employment. The Identify Protection Act (5 ILCS 179/37) requires all employees of the Department identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.

Department officials indicated the exception was caused by competing priorities while onboarding.

Failure to monitor and determine required training has been completed could result in a workforce that is not adequately trained to fulfill required duties and may expose the State to potential liability. (Finding Code No. 2022-009, 2020-011)

RECOMMENDATION

We recommend the Department adequately monitor required employee training to ensure the employees complete mandatory trainings on a timely basis.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010. FINDING (Agency Workforce Reports Not Accurately Completed)

The Department of Commerce and Economic Opportunity (Department) Agency Workforce Reports (Reports) were not accurately or timely completed in accordance with the State Employment Records Act (Act).

We tested both 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. These inaccuracies included:

- The Department did not include information on Physically Disabled Male and Female Employees on the Fiscal Year 2020 Report.
- The Department did not properly report its professional employees on the Fiscal Year 2021 Report.
- The Department reported three inaccurate totals on the Fiscal Year 2021 Report.

During our fieldwork, the Department corrected these inaccuracies on amended Reports submitted on August 18, 2022; however, we noted the following exceptions on the amended Reports:

- Twenty-eight and 78 inaccurate percentages were reported on the Fiscal Year 2020 and 2021 Amended Reports, respectively.
- No information was reported in the Females column and an inaccurate total was reported for the White Males \$40,000-\$49,000 column on the Fiscal Year 2021 Amended Report.
- The Department provided us with the source information that was used by the Human Resources Department to create these Reports. No information on contractual employees, new hires, or promotions was included in this source information. As a result, we were unable to confirm the number of contractual employees, new hires, and promotions reported on these Reports based on the support provided by the Department. As a result, 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 § 205.36).

The Department did not file the Amended Fiscal Year 2019 Report with the Governor's Office or the Secretary of State within 30 days of release of the prior compliance report. The prior compliance report was released on April 22, 2021, and the amended Report was submitted on July 8, 2021, making it 47 days late.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010. FINDING (Agency Workforce Reports Not Accurately Completed) (Continued)

The 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 states that 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 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.

Department management indicated these errors happened because of oversight and Department turnover at key positions responsible for the creation of these Reports.

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. 2022-010, 2020-010)

RECOMMENDATION

We recommend the Department improve controls to ensure Agency Workforce Reports are accurately completed and timely submitted. In addition, we recommend the Department file amended Agency Workforce Reports with the Office of the Governor and the Secretary of State within 30 days after the release of the compliance report.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-011. FINDING (Failure to Timely Certify Statement of Economic Interest Information)

The Department of Commerce and Economic Opportunity (Department) failed to timely certify the names and mailing addresses of the persons filing statements of economic interest to the Secretary of State.

The Department failed to certify names and mailing addresses of its employees filing statements of economic interest to the Secretary of State on or before February 1 of each year. Specifically,

- In Fiscal Year 2021, seven of 20 (35%) employees tested were not certified in a timely manner. They were certified on February 10, 2021, 9 days late.
- In Fiscal Year 2022, seven of 20 (35%) employees tested were not certified in a timely manner. They were certified on February 2, 2022, one day late.

The Illinois Governmental Ethics Act (5 ILCS 420/4A-106) states on or before February 1 annually, the chief administrative officer of any State agency in the executive, legislative, or judicial branch employing persons required to file under item (f) or item (l) of Section 4A-101 and the chief administrative officer of a board or panel described in item (n) or (p) of Section 4A-101 shall certify to the Secretary of State the names and mailing addresses of those persons.

Department officials indicated the late certifications were a result of competing priorities.

Failure to certify employee names and mailing addresses could result in inaccurate information being utilized by other State agencies and prevent all required Department employees from filing their statements of economic interest. (Finding Code No. 2022-011)

RECOMMENDATION

We recommend the Department certify the names and mailing addresses of the persons filing statements of economic interest to the Secretary of State by February 1 annually.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. FINDING (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.

The Department is responsible for supporting and maintaining a climate that enables a strong economy for the Department’s customers, which include taxpayers, businesses, workers, and communities, by keeping, attracting, and growing businesses, maintaining a skilled workforce, and enhancing communities so the climate in Illinois is one in which businesses, small and large, and workers, can succeed to the greatest extent possible.

As a result of the Department’s mission to administer the State’s laws, the Department maintains computer systems that contain large volumes of 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 Department’s cybersecurity program, practices, and control of confidential information, we noted the Department:

- Relied on the Department of Innovation and Technology’s (DoIT) policies and procedures; however, the Department had not conducted an analysis of DoIT’s policies and procedures to ensure they met their needs. Additionally, the Department had not established policies and procedures related to:
 - Configuration management standards;
 - Access control standards;
 - Data maintenance and destruction standards;
 - Security awareness training standards; and
 - On-boarding procedures
- Had not developed a data classification methodology or classified their data.
- Had not established a cybersecurity plan describing the security program, policies, and procedures.
- Had not documented the security solutions utilized to provide security and resilience of their assets.
- Had not developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management’s expectations.
- Had not developed a risk management methodology, conducted a risk assessment or implemented risk-reducing internal controls.

In addition, the Department did not have knowledge on how their assets were monitored, how or if security events were timely detected, and the actions taken in response to a security event.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. 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 the Department 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.

Department management indicated the Department works with DoIT to provide cybersecurity controls and other IT resources to the Department. Department management indicated noncompliance resulted from the complexity in roles between the Department's responsibilities, DoIT's oversight of the Department's Information Technology, and the DoIT staff assigned to the Department. Department management also indicated the rules in the intergovernmental agreement and inability to hire internal IT staff creates barriers in addressing cybersecurity internal controls.

Failure to implement internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risks and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-012, 2020-012)

RECOMMENDATION

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

- Conduct an analysis of DoIT's policies to ensure they meet the Department's requirements.
- Develop policies and procedures related to:
 - Configuration management standards;
 - Access control standards;
 - Data maintenance and destruction standards;
 - Security awareness training standards; and
 - On-boarding procedures
- Develop a data classification methodology and classify its data.
- Establish a cybersecurity plan describing the security program, policies, and procedures.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. FINDING (Weaknesses in Cybersecurity Programs and Practices) (Continued)

- Document the security solutions utilized to provide security and resilience of their assets.
- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management’s expectations.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.

In addition, we recommend the Department obtain knowledge on how their assets are monitored, how or if security events are timely detected, and the actions taken in response to a security event.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-013. FINDING (Exceptions Identified in Employment Separation with Interns)

The Department of Commerce and Economic Opportunity (Department) did not have adequate controls to ensure administrative procedures were timely completed in relation to interns' separation.

During testing of controls over separated interns' access to the Department's equipment and information systems, we noted one of four (25%) sampled interns' security badge access was not timely deactivated. The badge was deactivated 136 days after the intern's separation from the Department. Additionally, the Department was unable to provide support for the system access revocation for two of four (50%) interns.

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

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 timely deactivate system access when no longer required.

Department management indicated it lacks centralized security access measures which makes it very difficult to track when security access is granted and removed.

Failure to ensure adequate controls over the separation of interns increases the risk of unauthorized access and misuse of the Department's resources. (Finding Code No. 2022-013, 2020-013)

RECOMMENDATION

We recommend the Department improve its employee policies and procedures over processing internship separations.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. FINDING (Computer System Access Weaknesses)

The Department of Commerce and Economic Opportunity (Department) failed to implement adequate controls over user access to its applications and data.

As a result of the Department’s mission to support and maintain a climate that enables a strong economy for the Department’s customers, which include taxpayers, businesses, workers, and communities, by keeping, attracting, and growing businesses, maintaining a skilled workforce, and enhancing communities so the climate in Illinois is one in which businesses, small and large, and workers, can succeed to the greatest extent possible, the Department maintains a myriad of applications and data.

During our examination of the Department’s user access controls, we selected a sample of 236 users with access to the following Department applications to test whether their user access rights aligned with their job duties:

- Low Income Home Energy Assistance Program (LIHEAP)
- WeatherWorks
- Percentage of Income Payment Plan (PIPP)
- Community Service Block Grant (CSBG)
- Illinois Workforce Development System (IWDS)
- Automated Compliance Monitoring System (ACMS)
- DCEO Financial Management System
- Property Control System
- eGrants System
- Business Development CRM System

Our testing noted:

- The Department did not provide evidence of the annual review of the user access rights during the engagement period, including its Active Directory Accounts. Department management indicated each office that utilizes the application was responsible for conducting such reviews. However, the Department did not provide evidence showing the annual reviews were performed.
- The Department did not provide evidence 36 (15%) new users had been approved to access the respective application.
- The Department did not remove 41 (17%) user accounts of former employees during the engagement period.
- Four (2%) users indicated they did not require access to the applicable application.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. FINDING (Computer System Access Weaknesses) (Continued)

- Fourteen (6%) users did not respond to multiple inquiries as to how the user utilized the application with the access provided.
- The Department did not respond to multiple inquiries as to why the 20 users (8%) were provided access to the application.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control section, states an entity is to define within policies and procedures personal security transactions, establishment and termination of access, based on assessed risk of the entity's environment.

Department management indicated the Department works with the Department of Innovation and Technology (DoIT) to provide support for system resources to the Department. Department management also indicated noncompliance resulted from the complexity in roles between the Department's responsibilities, DoIT's oversight of the Department's Information Technology, and the DoIT staff assigned to the Department. Department management further indicated internal weaknesses exist in controls to request user access and removal to system. Lastly, Department management indicated it does not have the ability to maintain access lists independently of DoIT or complete the processes to grant or remove the access as requested due to the constraints the Department has through the Executive Order restricting the Department from hiring IT positions to perform these tasks.

Failure to maintain adequate internal controls over users' access to the applications and data may result in unauthorized access to the Department's information. (Finding Code No. 2022-014, 2020-015)

RECOMMENDATION

We recommend the Department implement controls to ensure access to its applications and data is appropriate. Specifically, we recommend the Department:

- Conduct annual review of users' access rights.
- Maintain documentation of approvals of users' access.
- Ensure access rights are timely removed.
- Ensure users only have access to needed applications.
- Ensure users respond to the auditor's requests.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. FINDING (Computer System Access Weaknesses) (Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-015. FINDING (Failure to Review External Service Providers’ Internal Controls)

The Department of Commerce and Economic Opportunity (Department) failed to implement adequate internal controls over its service providers.

We requested the Department provide the population of service providers utilized to determine if they had reviewed the internal controls over their service providers. However, the Department was unable to provide such a listing. As a result, we were unable to conduct testing over the Department’s control of their service providers, and 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 § 205.36).

According to the Department, they utilized service providers for hosting services and software as a service.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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.

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 (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities’ internal controls related to the services provided. Such assurance may be obtained via System and Organization Control (SOC) reports or independent reviews.

Department management indicated it did not have adequate controls in place to track all applications and service providers procured by the Department. Department management also indicated the Department works with the Department of Innovation and Technology (DoIT) to maintain many of its systems, website and applications, and does not have independent access to a full list of service providers used on its systems that were not procured independently by the Department. In addition, Department management indicated it does not have the authority to control changes to those service providers.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Department does not have assurance the service providers’ internal controls are adequate. (Finding Code No. 2022-015, 2020-017)

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-015. FINDING (Failure to Review External Service Providers’ Internal Controls)
(Continued)

RECOMMENDATION

We recommend the Department strengthen its controls to maintain a listing of service providers.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-016. FINDING (Controls over Change Management Procedures Need Improvement)

The Department of Commerce and Economic Opportunity (Department) failed to implement internal controls over changes to its applications and data.

The Department utilized a myriad of applications to carry out its duties of supporting and maintaining a climate of a strong State economy. During our examination, we noted the Department had not established change management policies and procedures to control changes to their applications and data. Additionally, the Department had not established a system development standard to ensure new application developments met the Department's requirements.

In addition, for the 37 changes tested, we were not provided with documentation supporting the approval of the changes for 37 (100%) and the same individuals who tested 24 (65%) of the changes moved the changes into the production environment.

The Framework for Improving Critical Infrastructure 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 and System and Services Acquisition sections, requires entities to document their controls to ensure system development projects meet their needs, are timely and stay within budget. Further, entities are to document the control over changes to applications and data to ensure changes are authorized and reviewed.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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.

Department management indicated the Department of Innovation and Technology (DoIT) was responsible for controls over changes and the Department did not have sufficient resources.

Failure to implement controls over changes to applications and data could result in developments not meeting the Department's requirements and unauthorized changes being made. (Finding Code No. 2022-016, 2020-016)

RECOMMENDATION

We recommend the Department develop policies and procedures documenting internal controls over changes. Further, we recommend the Department improve its segregation of duties over change controls.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-016. FINDING (Controls over Change Management Procedures Need Improvement)
(Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise to comply.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-017. FINDING (Recovery Plan Weaknesses)

The Department of Commerce and Economic Opportunity (Department) did not have adequate internal controls for the planning and recovery of its applications and data.

The Department utilizes various applications in order to carry out its mission. During our review of the Department's disaster recovery policy, we noted the Department did not document detailed recovery scripts for each of its applications.

In addition, the Department had not conducted disaster 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 recovery plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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.

Department management indicated, per their intergovernmental agreement with the Department of Innovation and Technology (DoIT), DoIT was responsible for conducting and maintaining disaster recovery testing.

Failure to adequately plan for the recovery of applications and data could result in the loss of data and the inability to recover within an acceptable time period. (Finding Code No. 2022-017)

RECOMMENDATION

We recommend the Department work with the DoIT to obtain a detailed understanding of each agency's roles and responsibilities. We further recommend the Department develop a detailed disaster recovery plan in order to recover all its applications and data. Lastly, we recommend the Department conduct detailed recovery testing at least annually.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-018. FINDING (Data Wiping Internal Control Weaknesses)

The Department of Commerce and Economic Opportunity (Department) had weak internal controls over its wiping of data on electronic systems.

During our testing of the Department’s data wiping from electronic systems, we noted:

- The Department was unable to provide support of the data wiping in eight of 40 (20%) instances.
- No signature was included on the form from the individual who performed the overwriting or destruction process in 16 of 40 (40%) instances.

The State Records Act (5 ILCS 160/8) requires the Department’s Director to make and preserve records containing adequate and proper documentation of the functions, decisions, and essential transactions of the Department to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

The Data Security on State Computers Act (20 ILCS 450) requires the Department or authorized agency to implement a policy to mandate all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

Department management indicated the exceptions were caused by inadequate policies and procedures, oversight, and the complex relationship between the Department and the Department of Innovation and Technology which performs the wiping of data from the Department’s devices.

Failure to ensure adequate controls over the wiping of data from electronic systems could jeopardize the Department’s records and enable fraudulent activity. (Finding Code No. 2022-018)

RECOMMENDATION

We recommend the Department strengthen its controls related to the wiping of data from electronic systems.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022

PRIOR YEAR FINDINGS NOT REPEATED

- A. **FINDING** (Failure to Apply the Grantee Compliance Enforcement System to All Grants)

During the previous examination, the Department of Commerce and Economic Opportunity (Department) failed to apply the Grantee Compliance Enforcement System (GCES) to all grants administered during the examination period.

During the current examination, based upon the testing performed, we did not note any noncompliance with the GCES. (Finding Code No. 2020-001, 2018-001, 2016-001, 2014-001, 12-1, 10-1, 08-1)

- B. **FINDING** (Failure to Define Roles and Responsibilities with the Department of Innovation and Technology)

During the previous examination, the Department's agreement with the Department of Innovation and Technology (DoIT) did not document the roles and responsibilities between the Department and DoIT.

During the current examination, the Department identified the roles and responsibilities with DoIT and memorialized them in a formal document. (Finding Code No. 2020-014)

- C. **FINDING** (Inaccurate Aging of Receivables)

During the previous examination, the Department did not accurately age its accounts receivable resulting in inaccurate reports submitted to the Office of Comptroller (Comptroller).

During the current examination, our testing did not note any exceptions regarding the aging of the Department's receivables. (Finding Code No. 2020-018)

- D. **FINDING** (Failure to Prepare a Complete and Accurate Analysis of Overtime Schedule)

During the previous examination, the Department did not have adequate controls to prepare a complete and accurate Analysis of Overtime Schedule (Schedule) for inclusion in the Department's *Compliance Examination Report* for the two years ended June 30, 2020.

During the current examination, the preparation and inclusion of this Schedule was not required. (Finding Code No. 2020-019)

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

Status of Performance Audit Recommendations

Illinois Department of Commerce and Economic Opportunity

The Office of the Auditor General conducted a performance audit of the Department of Commerce and Economic Opportunity’s (DCEO) Economic Development for a Growing Economy (EDGE) tax credit program. The audit was released in June 2020 and contained a total of six recommendations.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS					
As of November 2022					
Audit	Rec. No.	Recommendation Description	Status		
			Implemented	Partially Implemented	Not Implemented
EDGE Tax Credit Program	1	EDGE Program Act Modifications	X		
EDGE Tax Credit Program	2	EDGE Program Act Eligibility Criteria		X	
EDGE Tax Credit Program	3	EDGE Program Application Documentation		X	
EDGE Tax Credit Program	4	EDGE Program Monitoring Documentation		X	
EDGE Tax Credit Program	5	Compliance with Laws, Rules, and Agreements		X	
EDGE Tax Credit Program	6	Timeliness of Tax Credit Process		X	

Source: Summary of EDGE Tax Credit Program performance audit recommendations and current status.

RECOMMENDATION 1 – EDGE PROGRAM ACT MODIFICATIONS

The Illinois Department of Commerce and Economic Opportunity should work with the General Assembly to enact necessary changes to sections of the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/) and the Administrative Code (14 Ill. Adm. Code 527) that are either no longer valid or are not feasible.

Current status: **Implemented**

The performance audit found the EDGE Tax Credit Act (35 ILCS 10/5) (Act) includes requirements and practices no longer used by DCEO. Section 5-40 of the Act, effective August 11, 1999, is titled “Determination of Amount of the Credit” and gives criteria to consider in determining the amount of the credit to be awarded, such as the potential impact on the economy of Illinois and the capital investment attributable to the project. These factors do not influence the amount of the tax credit, since the tax credit is determined by a set percentage found in Section 5-5 of the Act. According to DCEO officials, the formulas delineated in Section 5-5 Definitions are used to calculate the tax credit amounts for businesses with EDGE agreements and not the criteria found in Section 5-40.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

Section 5-70(6) of the Act requires the EDGE Annual Reports to include copies of the original agreements. This currently is not being done by DCEO. Due to the number and length of these agreements, it is not feasible for DCEO to include them in its Annual Report. However, although not included in its Annual Report, DCEO does post each of the agreements to its website.

Changes were made to the EDGE Tax Credit Act to address the concerns identified in the audit. References to the Illinois Economic Development Board's Business Investment Committee and related provisions were stricken from the EDGE Act by P.A. 102-330, effective January 1, 2022.

RECOMMENDATION 2 – EDGE PROGRAM ACT ELIGIBILITY CRITERIA

The Illinois Department of Commerce and Economic Opportunity should seek clarification from the General Assembly related to specific guidance on what evidence is necessary to determine proof of incentives available from other states and guidance related to residency requirements for the EDGE Tax Credit Program.

Current status: **Partially Implemented**

The performance audit found the Act did not include specific information necessary to adequately administer the program. That included specific guidance on what evidence is necessary to determine proof of incentives available from other states and guidance related to residency requirements. Auditors reviewed the Act and determined the following deficiencies:

- The Act does not provide clear guidance on what evidence, if any, is required as evidence of other state business incentive offers or proof that the business is actually considering another state for the project. The *Review of the Application* sections of the Act (Sections 5-25(b)(3) and (4)) discuss evidence that the credit is essential and the cost differential between Illinois and a competing state. However, the language in the Act is unclear what evidence, if any, is necessary or required.
- The Act does not discuss whether the businesses with the new projects are required to hire Illinois residents or whether residents from surrounding states qualify toward the new employee count. According to DCEO, the tax credits are to support **job creation, capital investment and improve the standard of living for all Illinois residents**, thus implying that Illinois residents are to be the beneficiary of these jobs created by the EDGE tax credits. Further, the Act does not state that Illinois residents must be hired, but it discusses hiring “the required number of New employees in Illinois” and notes the project shall be “**economically sound and will benefit the people of the State of Illinois by increasing opportunities for employment and strengthen the economy of Illinois.**”

DCEO noted it reviewed the statute and the Department's policy and determined it is not to include a residency requirement or contact other states for proof of incentives.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

DCEO noted that there currently is no statute under the EDGE act or administrative rule that requires an applicant to contact a competing state for an EDGE application in support of an EDGE tax credit. DCEO requires EDGE applicants to provide a certified statement that the credit is essential to the applicant's decision to move forward with the project (a representation repeated in the EDGE agreement) and provide a detailed explanation (with a supporting cost differential) demonstrating that the project has a viable out of state option and the project would be more economical outside Illinois. DCEO's EDGE application materials, require the company to provide a financial analysis that utilizes a scope of work for a proposed project and compares the cost of the project at an out-of-state location to a proposed Illinois site. This financial and gap analysis is used to determine EDGE eligibility and ensure that EDGE's "but for" requirements are addressed and that the financial value of an EDGE tax credit is needed to offset the cheaper cost of doing business in an out of state location. Regarding residency, DCEO noted there remains no statutory requirement that the positions factored into EDGE credit eligibility be filled by Illinois residents other than the credit has no value for positions filled by persons for whom no withholding taxes are paid.

According to DCEO officials, it engaged the General Assembly with proposed legislation. The proposed legislation was not implemented during the time period of the audit. As a result, this recommendation was partially implemented.

RECOMMENDATION 3 – EDGE PROGRAM APPLICATION DOCUMENTATION

The Illinois Department of Commerce and Economic Opportunity should develop internal controls, hire adequate staff, and develop policies and procedures to ensure that it receives and maintains all application documentation required by the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/) and the Administrative Code (14 Ill. Adm. Code 527).

Current status: Partially Implemented

The performance audit found that during the testing of applications for the EDGE program, auditors were unable to find an example of a project from 2018 that was not missing at least one piece of required documentation. It appeared that a lack of internal controls, lack of program staff, the loss of staff with institutional knowledge of the program, and a lack of policies and procedures for the EDGE program were the cause of the lack of complete application documentation.

For the current audit, DCEO noted that it has hired an EDGE Program Manager, who is overseeing the collection and records management of all necessary EDGE application and certification materials. The Department stated it also has a number of skilled Business Development staff members that assist with the collection, organization, and maintenance of EDGE materials. Further, DCEO is in the process of hiring an Industrial and Community Development Representative and has a Graduate Public Service Intern starting in August 2022. Additionally, DCEO has leveraged a Personal Services Contract to deepen its subject matter expertise and train and adopt a continuous improvement model for EDGE processes, as well as contracted temporary administrative support to file, scan and organize previous year's EDGE program materials.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

DCEO noted it currently utilizes a Customer Relations Management Software that can be used throughout all processes of the EDGE Program. The Program has received licenses for its Business Development team members in Salesforce, a Customer Relations Management software, and is currently working to adopt Salesforce throughout its business development pipeline. DCEO noted it intends to transition from the Customer Relations Management software to the Salesforce platform to upload all program documents, including the application, reports, and certifications. The timeline to train staff on use of the system is late 2022 and early 2023.

Since the controls and new system were not in place for review during this audit, the recommendation was partially implemented.

RECOMMENDATION 4 – EDGE PROGRAM MONITORING DOCUMENTATION

The Illinois Department of Commerce and Economic Opportunity should develop internal controls, hire adequate staff, and develop policies and procedures necessary to reconcile its EDGE program monitoring documentation sources and generate an accurate listing of active EDGE agreements and tax credits issued. Additionally, DCEO should create a unique project numbering system and maintain complete and accurate programmatic documentation necessary to report on effectiveness such as jobs created or retained and the revenue impact of the program.

Current status: Partially Implemented

The performance audit found that due to conflicting EDGE programmatic information from multiple sources provided by DCEO, auditors were unable to accurately conduct an analysis of the amount of tax credits approved, the number of jobs created or retained, and the total amount of capital investment. Therefore, an analysis of the amount of tax credits approved and the number of jobs created or retained by the EDGE program was not included within the report. Auditors concluded that the lack of controls, lack of program staff, the loss of staff with institutional knowledge of the program, and a lack of policies and procedures for the EDGE program were the cause of the lack of complete and accurate monitoring documentation.

For the current audit, DCEO stated it has made progress towards building out the Business Development bureau and the EDGE program management team. This includes hiring a full-time EDGE Program Manager, Assistant Director for Business Development, and support provided via a Personnel Services Contract.

DCEO noted it leveraged a Personal Services Contract to deepen its subject matter expertise and train and adopt a continuous improvement model to EDGE processes. DCEO also noted it has contracted temporary administrative support to file, scan, and organize previous year's EDGE program materials.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

DCEO stated it manages the EDGE tax certification process by requesting EDGE annual reports, Agreed Upon Procedures Reports for first-time claimants, and other documentation to ensure it is tracking annual EDGE tax certificates including total EDGE annual credit value, number of jobs created and retained, total payroll, investment total and total EDGE certification value overall. The tax credit certification process entails a structured and detailed review of an EDGE recipient's payroll report to ensure eligibility of reported jobs and calculation of incremental income tax.

DCEO also noted it publicly posts EDGE agreements to its website, including a summary of the EDGE agreement execution date, project location, number of new employees job target, number of retained employees job target, estimated value of credit, and if applicable, the underserved location status. DCEO stated it has instituted a policy regarding a naming convention for all projects, supported and supplied documentation. The system consists of Agreement Year, Company Name, Location, Type of Document (ex. 2022 Smith Brothers Jacksonville Agreement).

Since the controls and new system were not in place for review during this audit, the recommendation was partially implemented.

RECOMMENDATION 5 – COMPLIANCE WITH LAWS, RULES, AND AGREEMENTS

The Illinois Department of Commerce and Economic Opportunity should comply with the Economic Development for a Growing Economy Tax Credit Act and should:

- *evaluate the EDGE program on a biennial basis as required by Section 5-75;*
- *provide sufficient personnel for operation of the EDGE program as required by Section 5-10(g);*
- *seek clarification by the General Assembly on how to proceed with the makeup of the Business Investment Committee, Section 5-25, since the Illinois Economic Development Board was repealed on July 20, 2018;*
- *develop procedures to obtain documentation that substantiates any offers or prospects from other states as required by Section 5-25; and*
- *ensure that the information in its Annual Reports is complete and accurate.*

Current status: **Partially Implemented**

The performance audit found that while DCEO was meeting many of the basic requirements of the EDGE Tax Credit Act, it was not in compliance with several applicable sections of the Act due to a lack of internal controls. In addition, DCEO did not have any policy and procedure manuals to help employees administer the program. Auditors concluded that since DCEO was not in compliance with laws, rules, and agreements, it cannot effectively administer the EDGE tax credit program.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

For the current audit, DCEO noted it has continued to release a biennial report on the effectiveness of the EDGE program and released the 2021 Biennial Report on the EDGE Tax Credit Program. In addition, DCEO stated it made significant progress towards adding key team members to the Business Development bureau and the EDGE program management team.

Finally, DCEO noted it is working to update and finalize its EDGE policy guide and training manual. DCEO stated both tools provide guidance and resources for the DCEO's management of the EDGE program and the individual retained utilizing a Personnel Services Contract will help finalize and implement the updated EDGE policy manual by the end of the 2022 calendar year.

Since the policy guide and training manual were not in place for review during this audit, the recommendation was partially implemented.

RECOMMENDATION 6 – TIMELINESS OF TAX CREDIT PROCESS

The Illinois Department of Commerce and Economic Opportunity should ensure that businesses are providing the required information, and it is issuing tax credits within the required timeframes outlined in the EDGE agreements.

Current status: **Partially Implemented**

According to the performance audit report, a lack of controls, lack of program staff, and a lack of policies and procedures for the EDGE program caused tax credits to be processed and provided to businesses in an untimely manner. As a result, Illinois businesses enrolled in the EDGE tax credit program did not receive their contractually earned tax credits timely from DCEO.

For the current audit, DCEO indicated it has made progress towards building out the Business Development bureau and the EDGE program management team. That included hiring a full-time EDGE Program Manager. As stated above, DCEO also indicated it has leveraged a number of skilled subject matter experts within Business Development.

DCEO indicated it works diligently to manage hundreds of active EDGE agreements, which includes reviewing and processing their annual EDGE reports necessary to issue EDGE agreement recipients with their annual tax certificate on the correct and allowable timeline. DCEO noted that companies that do not complete their EDGE annual reports in a timely fashion are required to submit reasons for their submission delay and are required to receive an extension through the Business Development Committee. It was further noted that review of EDGE annual reports includes, but is not limited to, the verification of the number of jobs created or retained and capital investment made against the commitments made in the EDGE agreement.

DCEO noted that for companies that have a December 31 tax year end date, the Department's records show that there were approximately 41 companies that were not issued EDGE tax certificates within the required 60 days. This information is as of July 1, 2022.

STATE OF ILLINOIS
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

Many of these companies submitted incomplete information necessary to develop an EDGE tax certificate. This due diligence is completed by the Business Development team in partnership with Legal. Companies that had significant delays beyond the required 60 days were required to receive approval for late submission from the Department.

Since EDGE tax certificates were not issued within the required 60 days during this audit, the recommendation was partially implemented.