

**STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2022

**STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
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TABLE OF CONTENTS

<i>State Compliance Examination Report</i>	<u>Page</u>
Board Officials	1
Management Assertion Letter	2
State Compliance Report	
Summary	4
Independent Accountant’s Report on State Compliance and on Internal Control over Compliance	7
Schedule of Findings	
Current Findings	10
Prior Findings Not Repeated	36

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

BOARD OFFICIALS

Executive Director (3/27/2019 through 10/14/2020)	Mr. Mauro Glorioso
Executive Director (10/15/2020 through Present)	Mr. Michael O'Malley
Chief Administrative Law Judge	Mr. Steven Waggoner
Chief Fiscal Officer	Mr. James Moffat
Chief Information Officer	Mr. David Suarez

GOVERNING BOARD MEMBERS

Board Member	Ms. Sarah Buckley
Board Member	Mr. James Billotta
Board Member	Ms. Dana Kinion
Board Member	Mr. Robert Steffen
Board Member	Mr. Kevin Freeman

BOARD OFFICES

The Board's primary administrative offices are located at:

402 Stratton Office Building
401 South Spring Street
Springfield, Illinois 62706

Suburban North Office Facility
9511 West Harrison Street, Suite LL-54
Des Plaines, Illinois 60016



State of Illinois
PROPERTY TAX APPEAL BOARD

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Chairman

MICHAEL I. O'MALLEY
Executive Director & General Counsel

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MANAGEMENT ASSERTION LETTER

April 16, 2024

Honorable Frank J. Mautino
Auditor General
State of Illinois
400 W. Monroe
Suite 306
Springfield, Illinois 62704

Auditor General Mautino:

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, Property Tax Appeal Board (Board). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Board's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Board has materially complied with the specified requirements listed below.

- A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

BOARD MEMBERS

Jim Bilotta
Frankfort

Robert J. Steffen
South Barrington

Dana D. Kinion
Springfield

Sarah Buckley
Chicago

- C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Yours truly,

State of Illinois, Property Tax Appeal Board

SIGNED ORIGINAL ON FILE

Michael O'Malley, Executive Director

SIGNED ORIGINAL ON FILE

James Moffat, Chief Fiscal Officer

**STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	12	13
Repeated Findings	10	3
Prior Recommendations Implemented or Not Repeated	3	0

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	10	New	Voucher Processing Weaknesses	Material Weakness and Material Noncompliance
2022-002	14	2020/2004	Timeliness of Hearings	Material Weakness and Material Noncompliance
2022-003	16	2020/2018	Inadequate Controls over Equipment	Material Weakness and Material Noncompliance
2022-004	19	2020/2020	Inadequate Control over Receipts	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-005	20	2020/2020	Inadequate Control over Reconciliations	Significant Deficiency and Noncompliance
2022-006	22	2020/2018	Inadequate Control over Performance Evaluations	Significant Deficiency and Noncompliance
2022-007	24	2020/2020	Inadequate Control over Timekeeping Files	Significant Deficiency and Noncompliance
2022-008	26	2020/2020	Inadequate Control over Agency Fee Imposition Reports	Significant Deficiency and Noncompliance
2022-009	28	2020/2020	Reporting Procedural Deficiencies	Significant Deficiency and Noncompliance
2022-010	32	2020/2020	Information Security Weaknesses	Significant Deficiency and Noncompliance
2022-011	34	2020/2020	Lack of Interagency Agreement with DoIT	Significant Deficiency and Noncompliance
2022-012	35	New	Inadequate Control over Leased Equipment	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	36	2020/2020	Lack of Due Diligence over ERP Transition	
B	36	2020/2020	Delayed Audit Request Responses	
C	36	2020/2020	Inadequate Control over Report Component	

EXIT CONFERENCE

The Board waived an exit conference in a correspondence from Michael O'Malley, Executive Director, on April 8, 2024. The responses to the recommendations were provided by Michael O'Malley, Executive Director, in a correspondence dated April 16, 2024.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Property Tax Appeal Board

Report on State Compliance

We have examined compliance by the State of Illinois, Property Tax Appeal Board (Board) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2022. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our 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 Board's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Board during the two years ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-001 through 2022-003, the Board 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 Board complied with the specified requirements during the two years ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-004 through 2022-012.

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

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

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with

the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described 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 a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-003 to be 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 2022-004 through 2022-012 to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
April 16, 2024

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Voucher Processing Weaknesses)

The Property Tax Appeal Board's (Board) internal controls over its voucher processing function were not operating effectively during the examination period.

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

Our testing noted 4 of 140 (3%) attributes were not properly entered into the ERP System. Therefore, the Board's internal controls over voucher processing **were not operating effectively.**

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

Due to this condition, we qualified our opinion because we determined the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, we conducted an analysis of the Board's expenditures data for fiscal years 2021 and 2022 to determine compliance with the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

- The Board did not timely approve 17 of 534 (3%) vouchers processed during the examination period, totaling \$26,766. We noted these late vouchers were submitted by the Board to the Comptroller’s Office between 1 and 45 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor’s invoice and approve proper bills within 30 days after receipt.

Additionally, we tested other attributes and noted the following noncompliance:

- The supporting documentation for 1 of 35 (3%) vouchers tested, totaling \$530, did not include a purchase order, requisition, or other obligation document.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- For 1 of 35 (3%) vouchers tested, totaling \$17,948, the Board did not file a New Furniture Affidavit with the Department of Central Management Services (DCMS) for the purchase of new furniture.

The State Property Control Act (30 ILCS 605/7a) requires agencies desiring to purchase new furniture costing more than \$500 to first check with the DCMS surplus property administrator (administrator) and inquire if any of the surplus furniture under the administrator's control can be used in place of new furniture. If an agency finds it is unable to use the surplus property, the agency should file an affidavit with the administrator prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category. The affidavit should also clearly state why the furniture must be purchased new as opposed to obtaining from the administrator's surplus. The affidavits are to be made available by the administrator for public inspection and copying.

- One of 35 (3%) vouchers tested, totaling \$6,011, was not categorized into the correct detail object code.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

SAMS (Procedure 11.10.50) states the purpose of assigning a correct detail object code is to report expenditure information at more refined level with a common object.

- One of 35 (3%) vouchers tested, totaling \$530, was not properly supported. Specifically, the voucher support did not contain information regarding what certification was being reimbursed.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- The Board did not revoke voucher signature authority for three individuals in a timely manner. The authority was revoked between 974 and 1,542 days after each employees' respective last day.

SAMS (Procedure 17.20.70) requires the Board to notify the Comptroller when a Voucher Signature Authorization Form on file should be revoked. Notification must be submitted via a Voucher Signature Revocation Form (SCO-095-B). The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Board officials indicated the items noted were due to employee error and competing priorities.

Failure to properly enter key attributes into the State's ERP System when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with laws, rules, and regulations. (Finding Code No. 2022-001)

RECOMMENDATION

We recommend the Board strengthen its controls over voucher processing to ensure vouchers are processed properly and timely.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

BOARD RESPONSE

The Board accepts the findings and will work to improve its controls over the voucher processing system.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Timeliness of Hearings)

The Property Tax Appeal Board (Board) did not allow for the speedy hearing of all appeals.

During testing, we noted the following:

- The Board has a backlog of property tax appeal cases. As of June 30, 2022, the Board had over 80,000 cases which were still pending, and the increase in cases has been exponential over the past few years. It would take many years to fully process the backlog given the current increase in case load, as well as current staffing levels.
- The Board did not allow for a speedy hearing of appeal cases. We analyzed 100% of the cases closed during the examination period and pending as of June 30, 2022, and noted the following:

- 40,400 of 70,340 (57%) cases were closed over two years from the receipt date.

Length of Time Taken to Complete Case				
Timeframe:	< 1 Year	1 – 2 Years	2 – 3 Years	> 3 Years
Total Number of Cases:	14,758 (21%)	15,182 (22%)	18,331 (26%)	22,069 (31%)

- 61,776 of 84,942 (73%) cases were pending over two years from the receipt date.

Length of Time Case was Pending as of June 30, 2022				
Timeframe:	< 1 Year	1 – 2 Years	2 – 3 Years	> 3 Years
Total Number of Cases:	3,837 (4%)	19,329 (23%)	22,894 (27%)	38,882 (46%)

The Property Tax Code (35 ILCS 200/16-180) requires the Board to provide for the speedy hearing of all appeals. Although speedy is not defined in this statute, we have used two years as a general criteria to gauge speedy hearings.

Finally, this finding was first noted in the Board’s State Compliance Examination for the two years ended June 30, 2004. Board officials have been unsuccessful in implementing a corrective action plan to remedy this condition.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

As in the prior examination, Board management indicated the issues noted above were due to lack of personnel and human resources to complete the exponential increase in case load year after year and the backlog of cases.

Without adequate staffing to timely process property tax appeals, the Board jeopardizes compliance with its statutory mandate and the taxpayer is not adequately served. Additionally, due to the lack of staffing, the backlog of property tax appeal cases has become unmanageable. (Finding Code No. 2022-002, 2020-001, 2018-001, 2016-001, 2014-001, 12-1, 10-1, 08-1, 06-1, 04-2)

RECOMMENDATION

We recommend the Board work with the Governor and the General Assembly to increase its headcount, which will assist the Board in providing for the speedy hearing of all new appeals and decrease the backlog of appeals.

BOARD RESPONSE

The Board accepts the finding and is in the process of hiring additional staff to decrease the number of pending appeals.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Inadequate Controls over Equipment)

The Property Tax Appeal Board (Board) failed to establish adequate controls over its State property records and related reporting.

During testing, we noted the following:

- We noted two items, totaling \$1,358, purchased during the examination period were not reported as additions on the Board’s *Agency Report of State Property* (Form C-15) or on the Board’s property listing.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires agencies to adjust property records within 90 days of acquisition, change, or deletion of equipment items.

- We were unable to verify the completeness and accuracy of the Board’s Fiscal Year 2022 property listing. The Board provided two different listings to support the Fiscal Year 2022, 4th Quarter Form C-15 balance. As a result, we were unable to determine the population of equipment.

The Statewide Accounting Management System (SAMS) Manual (Procedure 29.20.10) details the procedures for the proper completion of the Form C-15s. In addition, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation.

Due to these conditions, we were unable to conclude whether the Board’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed testing and noted the following:

- During our testing of the property listing to the floor, we noted two of seven (29%) equipment items tested, totaling \$20,573, were found in a different location than the property listing indicated.
- During our testing of floor to property listing, we noted the following:

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

- Two of seven (29%) equipment items tested were not included on the Board’s property listing. Both items had silver tags, which indicate the value of the item is over the reporting threshold.
- One of seven (14%) equipment items tested, totaling \$1,120, was found in a different location than the property listing indicated.

The State Property Control Act (30 ILCS 605/4) requires the Board to be accountable for the supervision, control, and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets. In addition, SAMS (Procedure 29.10.10) requires the Board to maintain detailed property records, including the physical location of its asset.

- The Board did not maintain an adequate segregation of duties over State property. We noted one individual performed all parts of the transaction cycle, including:
 - **custody** by tagging all equipment;
 - **recordkeeping** by preparing expenditure entries and maintaining the Board's internal expenditure records and property records;
 - **reconciliation** by preparing reconciliations of the Board's records to the Comptroller's records; and,
 - **reporting** by completing required quarterly and annual reports of State property maintained by the Board.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. In addition, good business practices require the Board to maintain an adequate segregation of duties in order to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

- The Board has not adopted a policy to clearly delineate the categories of equipment considered subject to theft.

The Code (44 Ill. Admin. Code 5010.210(c)) states the Board is responsible for adopting policies clearly delineating categories of equipment considered to be subject to theft.

Finally, this finding was first noted in the Board’s State Compliance Examination for the two years ended June 30, 2018. Board officials have been unsuccessful in implementing a corrective action plan to remedy this condition.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

During the previous and current engagement, Board officials indicated the errors noted were due to employee error.

Failure to exercise adequate control over property and to maintain accurate and complete property records increases the potential for fraud and loss of property. Further, the absence of complete and accurate property records results in incorrect accounting records and noncompliance with State laws, rules, and regulations. (Finding Code No. 2022-003, 2020-002, 2018-002)

RECOMMENDATION

We recommend the Board strengthen its internal controls over recording and reporting of State property by reviewing its inventory items and inventory listing to ensure it is accurate and up-to-date.

BOARD RESPONSE

The Board agrees with the finding and is working to improve its controls over its inventory.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Inadequate Control over Receipts)

The Property Tax Appeal Board (Board) did not maintain adequate controls over its receipts process and receipt recordkeeping.

During testing, we noted the following:

- Two of three (67%) receipts tested, totaling \$107, were not deposited on a timely basis. The receipts were deposited 3 and 9 days late.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2a(4)) requires the Board submit receipts under \$500 dollars before the next 1st or 15th of the month.

- One of two (50%) refunds tested, totaling \$12,122, lacked supporting documentation of the deposit date. As a result, we were unable to determine if the refund was deposited in a timely manner.

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

Board management indicated the issues were due to employee error.

Untimely deposits delay realization of cash available for expenditure in the State Treasury and could result in untimely payment of vouchers by the Comptroller. Additionally, the failure to maintain documentation of the deposit date is noncompliance with the State Records Act and could result in the misappropriation of State funds. (Finding Code No. 2022-004, 2020-003)

RECOMMENDATION

We recommend the Board strengthen its internal controls over recording and reporting of its receipts by ensuring receipts are timely deposited and supporting documentation is properly maintained.

BOARD RESPONSE

The Board accepts the finding and is working to improve its controls over receipts to ensure proper documentation and timely deposits.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Inadequate Control over Reconciliations)

The Property Tax Appeal Board (Board) did not maintain adequate controls over its monthly reconciliations.

An individual with the authority to process receipts prepared timely monthly reconciliation of the Board's revenue information to the Office of Comptroller's (Comptroller) *Monthly Revenue Status Report* (SB04). However, because the individual preparing those reconciliations was not independent of the process, we examined the reconciliations for evidence of timely review by an independent person. For 15 of 24 (63%) reconciliations tested, there was no evidence of a review by an independent person.

Prudent business practices require proper internal controls, such as timely supervisory reviews and segregations of duties between the preparer and supervisor, to be established to ensure the accuracy and reliability of accounting data. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide reasonable assurance revenues, expenditures, and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Moreover, the Statewide Accounting Management System (SAMS) Manual (Procedure 02.50.10) promotes timely reviews when it states: "Qualified and continuous supervision must be provided to achieve internal control objectives. This means that supervisors must review and approve the assigned work of their staffs. They must provide necessary guidance and training to their staffs to minimize errors, waste, and wrongful acts and to achieve specific management policies and directives."

During the past and current engagement, Board officials indicated the errors noted were due to employee error.

Failure to properly review the Board's reconciliations represents noncompliance with SAMS and could result in incomplete or inaccurate financial information. (Finding Code No. 2022-005, 2020-004)

RECOMMENDATION

We recommend the Board strengthen its internal controls over reconciliations and ensure reconciliations are reviewed and the review is properly documented.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

BOARD RESPONSE

The Board accepts the findings and will work to improve its internal controls to document its independent reconciliations.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Inadequate Control over Performance Evaluations)

The Property Tax Appeal Board (Board) did not exercise adequate controls over evaluating its employees' performance during the examination period.

Our testing involved 11 evaluations to be performed for 8 employees. We noted the following:

- Evaluations were not performed timely for 2 of 8 (25%) employees tested. Two of 11 (18%) evaluations tested were completed 150 and 207 days late.
- One of 11 (9%) evaluations selected for testing could not be located in the employee's personnel file.

The Board's Employee Handbook, Section 4-1 requires evaluations to take place annually (no specified time frame). In addition, the Illinois Administrative Code (80 Ill. Admin. Code 302.270(d)) requires the Board to prepare a performance evaluation for each certified employee no less often than annually. Good business practices require employee performance evaluations to be performed in a timely manner, which we have determined to be 30 days after the evaluation period for annual performance evaluations.

Further, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of the policies, decisions, and procedures designed to protect the legal and financial rights of the State. Lastly, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative control. Effective internal controls should include procedures to ensure personnel evaluations are properly completed and maintained in each employee's personnel file.

Finally, this finding was first noted in the Board's State Compliance Examination for the two years ended June 30, 2018. Board officials have been unsuccessful in implementing a corrective action plan to remedy this condition.

During the previous and current engagement, Board officials indicated the issues noted were due to employee error.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 2022-006, 2020-006, 2018-003)

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

RECOMMENDATION

We recommend the Board take appropriate measures to ensure performance evaluations are conducted timely and are maintained in each employee's file.

BOARD RESPONSE

The Board accepts the finding and is currently working on implementing a process to ensure performance reviews are completed timely and maintained in the employees files.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Inadequate Control over Timekeeping Files)

The Property Tax Appeal Board (Board) did not maintain adequate controls over its timekeeping files.

During testing, we noted the following:

- Three of 57 (5%) leave slips tested, for two of eight (25%) employees, were approved by the employee's supervisor between one and five days after the leave was taken.

The Board's Employee Handbook, Section 6.1, requires an employee to obtain approval prior to use of vacation time. Section 6.3 requires personal time to be scheduled sufficiently in advance. Section 6.5 requires doctor's appointments or other known instances should be pre-approved. Other illness should be entered/supervisor notified within 1 hour of start time.

- Thirteen of 105 (12%) timesheets tested, for five of eight (63%) employees, were submitted between 2 and 11 days late.

The Board's Timesheet Procedures states employees are responsible for electronically recording, certifying, and submitting hours worked and/or available benefit time used. These reports are submitted to supervisors weekly for review and approval. This does not align with the Board's Employee Handbook as it has not been updated.

In addition, we noted the Board's Employee Handbook containing their policies and procedures was last updated in April 2013 and has not been subsequently updated to reflect changes in current procedures and practices. Specifically, the Board's Employee Handbook provides guidance for the completion of paper timesheets and leave request whereas the Board is now utilizing e-Time system for timekeeping.

Board management indicated, as they did in the prior examination, the issues were due to outdated written employee policies and procedures which do not reflect the current practices of the Board and competing priorities which do not give the Board time to update the written handbook.

Failure to update Board policies can lead to improper approvals and possible misuse of State resources. In addition, failure to establish and maintain adequate controls over employee submissions of time off could lead to errors in employee leave balances, and employee time worked. (Finding Code No. 2022-007, 2020-007)

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

RECOMMENDATION

We recommend the Board update its written handbook to accurately reflect what its policies related to leave time are currently.

BOARD RESPONSE

The Board accepts this finding and is working on updating its written handbook.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Inadequate Control over Agency Fee Imposition Reports)

The Property Tax Appeal Board (Board) did not maintain adequate controls over its Agency Fee Imposition Reports (Report).

During testing, we noted the following:

- The Board was unable to provide documentation supporting the submission of the Fiscal Year 2020 and Fiscal Year 2021 Reports. As a result, we were unable to determine the timeliness of the submissions. Support for the Fiscal Year 2020 Report was subsequently provided after our fieldwork was completed, four months after the original due date. Further, support provided for the Fiscal Year 2020 Report showed it was filed 25 days late.

The Statewide Accounting Management System (SAMS) (Procedure 33.16.20) requires the Board to submit the Agency Fee Imposition Report, including all charges by the Board to citizens and private organizations, to the Office of Comptroller (Comptroller) by August 1 of each year.

- The Board was unable to provide the Fiscal Year 2020 Agency Fee Imposition Report filed during Fiscal Year 2021. While support for the Report was subsequently provided, the support was provided after our fieldwork was completed, four months after the original due date.

The State Records Act (5 ILCS 160/8) requires the Board to make and preserve adequate and proper documentation of the organization, functions, decisions and essential transactions of the Board.

- The receipts reported on the Board's Fiscal Year 2021 Report did not agree to the Board's receipt records. The receipts reported were understated by \$283.

SAMS (Procedure 33.16.10) requires the Board to annually complete the Agency Fee Imposition Report and include the total amount of revenue generated by the fee during the fiscal year for which the report is prepared. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

During the previous and current engagement, Board officials indicated the issues noted were due to employee error.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

Failure to maintain documentation and timely provide to the auditors represents noncompliance with State statute and limits the Board's ability to substantiate functions were performed as required. In addition, submission of inaccurate reports to the Office of Comptroller could result in incomplete or inaccurate financial reporting at the State level. (Finding Code No. 2022-008, 2020-008)

RECOMMENDATION

We recommend the Board ensure its reports are complete and accurate prior to submission which includes ensuring it reconciles to the Comptroller's data as well as its own records.

BOARD RESPONSE

The Board accepts the finding and will work to ensure that its reports are completed accurately in the future.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-009. **FINDING** (Reporting Procedural Deficiencies)

The Property Tax Appeal Board (Board) did not comply with certain procedural requirements established by State laws, rules, and regulations.

During testing, we noted the following:

Annual Reports

- The Board was unable to provide documentation supporting the submission of the annual report for Calendar Year 2020. As a result, we were unable to determine the timeliness of the submission.

The Property Tax Code (35 ILCS 200/16-190) requires the report to be submitted annually, no later than February 1. In addition, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Board designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

- The Board's annual reports for 2020 and 2021 did not contain updated information regarding the number of cases requesting a reduction of \$100,000 or more. The 2020 and 2021 reports do not include information past 2019 and 2020, respectively.

The Property Tax Code (35 ILCS/16-190(b)) requires the Board's annual report include the total number of cases for commercial and industrial property requesting a reduction in assessed value of \$100,000 or more for each of the last 5 years.

Agency Workforce Report

- The Board incorrectly classified 9 employees in the Fiscal Year 2020 Report and 4 employees in the Fiscal Year 2021 Report as professional employees.

The State Employment Records Act (Act) (5 ILCS 410/15(a)(v)) requires the Board to report the number and percentages of persons employed by the agency. Further, the Act requires the Board to report the total number of persons employed within the Board's workforce as professionals and the percentage of those positions held by women, minorities, and persons with physical disabilities. The Act (5 ILCS 410/10(e)) defines "professional employee" as a person employed to perform employment duties requiring academic training, evidenced by a graduate or advanced degree from an

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

accredited institution of higher education, and who, in the performance of those employment duties, may only engage in active practice of the academic training received when licensed or certified by the State of Illinois.

- The Board reported an incorrect number of open positions on the Fiscal Year 2021 Report.

The Act (5 ILCS 410/15(a)(iii)) requires the Board to report the number of open positions of employment or advancement in the agency work force on a fiscal year basis.

- The Board reported an incorrect number of employees in three categories on the Fiscal Year 2021 Report.

The Act (5 ILCS 410/15(a)(ii)) requires the report to include the total number of persons employed within the agency work force receiving levels of State remuneration within incremental levels of \$10,000, and the number and statistical percentage of minorities, women, and persons with physical disabilities in the agency work force receiving levels of State remuneration within incremented levels of \$10,000.

- The Board was unable to provide documentation of the reported contractual employees and the number of positions filled reported in the Board's Fiscal Year 2020 and Fiscal Year 2021 Reports. As a result, we were unable to verify the accuracy of the information reported.

The Act (5 ILCS 410/10) defines "Contractual services employee" as "a person employed by the State, or a State supported institution of higher education, under a written contract and paid by a State system CO-2 voucher (or its administrative equivalent) whose daily duties and responsibilities are directly or indirectly supervised or managed by a person paid by a payroll warrant (or its administrative equivalent) funded by State funds or pass through funds." Further, the Act (5 ILCS 410/15(a)(iii)) states the Board must report the number of open positions of employment or advancement in the agency work force.

- Mathematical errors were noted in the totals for the number of Physically Disabled Males and Females in the Board's Fiscal Year 2020 and Fiscal Year 2021 Reports.

The Act (5 ILCS 410/15(a)(v)) requires the Board to report the number and percentages of persons employed by the agency. Further, the Act requires the Board to report the total number of persons employed within the Board's

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

workforce as professionals and the percentage of those positions held by women, minorities, and persons with physical disabilities. The Act (5 ILCS 410/5(c)) requires that the Board 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.

Employment Plans

- The Board did not complete the following 2021 Employment Plans:
 - African American Employment Plan,
 - State Hispanic Employment Plan,
 - State Asian-American Employment Plan; and,
 - Native American Employment Plan.

The African American Employment Plan Act (20 ILCS 30/20) requires the Board to report annually to the Department of Central Management Services (Department) and the Department of Human Rights, in a format prescribed by the Department, all of the Board's activities in implementing the African American Employment Plan. In addition, the Civil Administrative Code of Illinois (20 ILCS 405/405-125) requires the Board to report annually to the Department and the Department of Human Rights, in a format prescribed by the Department, all of the agency's activities in implementing the State Hispanic Employment Plan, the State Asian-American Employment Plan, and the Native American Employment Plan.

Public Accountability Report

The amounts reported on the Fiscal Year 2021 and Fiscal Year 2022 Public Accountability Reports (PAR) did not agree to supporting documentation provided by the Board.

The Statewide Accounting Management System (SAMS) (Procedure 33.20.20) requires agencies to be able to substantiate their reports by maintaining adequate and appropriate documentation to support their mission statements, goals, objectives, and performance measures. This would include such elements as statutory or other authoritative sources for programs, mission statements, goals and objectives, definitions of performance indicators and data, the data collection and reporting process, the data storage and retrieval environment, etc. While the Board is not required to complete the PAR, they voluntarily submit the report. Any report submitted, required or voluntary, should contain accurate information.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

During the previous engagement, Board management indicated it believed it had completed the required items in accordance with statute. During the current engagement, Board officials stated the issues noted were due to competing priorities, employee error, and lack of resources.

Failure to file and submit annual reports results in noncompliance with the Illinois Compiled Statutes and reduces available information which may be used in making budget and policy decisions. (Finding Code No. 2022-009, 2020-009)

RECOMMENDATION

We recommend the Board ensure its reports are accurate and timely submitted in accordance with State statute and administrative rules. In addition, we recommend the Board resubmit its corrected Agency Workforce Report as required by the State Employment Records Act.

BOARD RESPONSE

The Board accepts the finding and anticipates that it will provide accurate and timely reports in the future.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010. **FINDING** (Information Security Weaknesses)

The Property Tax Appeal Board (Board) had computer security weaknesses.

During testing, we noted the following:

- The Board utilizes the Department of Innovation and Technology (DoIT) for its Central Payroll System (CPS) application and the Enterprise Resource Planning (ERP) program. The Board is responsible for complying with Complementary User Entity Controls (CUECs) identified in the DoIT System and Organization Controls (SOC) reports. During our testing, we noted the Board did not conduct a formal review of the Fiscal Year 2021 or Fiscal Year 2022 DoIT SOC reports.

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 IT 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 reports or independent reviews.

- The Board did not test its disaster contingency plan to ensure timely recovery of critical computer systems during the examination period.

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

- The Board did not complete a cybersecurity analysis to determine the effectiveness of the Board's practices, along with the risks of vulnerabilities of the cybersecurity systems utilized by the Board.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to perform a review of the Board's cybersecurity programs and practices including an assessment of the effectiveness of the Board's cybersecurity practices and the risk and vulnerabilities of the cybersecurity system. Due to the conditions above, the auditors were unable to properly perform this assessment.

- The Board did not perform testing to ensure backups were working properly.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

The Security and Privacy Guidelines for Storage Infrastructure (Special Publication 800-209 Section 4.2.1) published by NIST gives standard operating procedures relating to backups. These standards state backups should be tested periodically to verify their integrity and their ability to be restored.

During the previous engagement, Board officials stated they were unaware of the need to review the service provider’s SOC reports, and they were working to develop and routinely test a disaster contingency plan; however, progress has been slowed due to the COVID-19 pandemic. During the current engagement, Board officials indicated the issues noted were due to competing priorities. In addition, Board officials indicated DoIT has systems in place to monitor the Board’s systems and the Board does not have control over their servers and desktops.

Without obtaining and reviewing SOC reports or another form of independent internal control review, the Board does not have assurance the service provider’s internal controls are adequate. Additionally, failure to test a disaster recovery plan leaves the Board exposed to possible disruption of services. In addition, failure to complete a cybersecurity analysis leaves the Board unable to determine the risks and vulnerabilities of the cybersecurity systems of the Board. Lastly, failure to test backups leaves the Board unable to verify if the backups are working properly. (Finding Code No. 2022-010, 2020-010)

RECOMMENDATION

We recommend the Board:

- Perform a formal review of the SOC Reports and Complementary User Entity Controls,
- Test a disaster contingency plan,
- Complete a cybersecurity analysis; and,
- Verify backups.

BOARD RESPONSE

The Board agrees with the finding and will work to complete a cybersecurity analysis and to test its contingency plan.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-011. **FINDING** (Lack of Interagency Agreement with DoIT)

The Property Tax Appeal Board (Board) failed to execute an interagency agreement with the Department of Innovation and Technology (DoIT).

During testing, we noted the Board did not have an executed interagency agreement with the DoIT to ensure the services provided, roles and responsibilities, and the available security mechanisms were in place in order to protect the security, processing integrity, availability, and confidentiality of the Board’s systems and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to 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), System and Services Acquisition section, requires entities to document the services, roles, responsibilities, and required security controls when outsourcing services.

During the previous and current engagement, Board officials stated it has declined to enter into an interagency agreement, as the Board’s IT staff work independently on the Board’s system and the Board does not want its IT employees to become DoIT employees.

Failure to have a formal agreement with DoIT reduces assurance of the adequacy of controls to ensure the security, processing integrity, availability, and confidentiality of its systems and data. (Finding Code No. 2022-011, 2020-011)

RECOMMENDATION

We recommend the Board enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are in place to protect the security, processing integrity, availability, and confidentiality of its systems and data.

BOARD RESPONSE

The Board accepts the finding. The Board entered into an agreement in 2024 with DoIT. In the agreement DoIT will act as the Board’s information security officer.

STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. **FINDING** (Inadequate Control over Leased Equipment)

The Property Tax Appeal Board (Board) did not exercise adequate control over leased equipment.

During testing, we noted the Board leased five assets, with an acquisition costs totaling \$34,300, which were not listed on the Board’s equipment listing. Furthermore, it does not appear that the Board is properly accounting for their right-to-use assets in accordance with the implementation of Statement No. 87 of the Governmental Accounting Standards Board (GASB 87). The lease did not have an SCO-560 form filed with the Office of Comptroller.

The Statewide Accounting Management System (SAMS) (Procedure 03.50.60) states a lessee should recognize a lease liability and a right to use asset at the beginning of the lease term, unless the lease is a short term lease or it is an installment purchase. The lease liability will be measured as a present value of the payments over the lease term, less any lease incentives. The right to use asset will be measured as the amount of the initial lease liability plus any payments made to the lessor at the beginning of the lease term.

Board officials indicated the conditions noted were due to employee error.

Failure to report applicable leased items under GASB 87 can lead to misstated financial information and potential misappropriation of State assets. (Finding Code No. 2022-012)

RECOMMENDATION

We recommend the Board ensure leased equipment is included in property records and SCO-560 is completed and filed with the Office of Comptroller.

BOARD RESPONSE

The Board agrees with the finding and will work start to include leased equipment in its property records.

**STATE OF ILLINOIS
PROPERTY TAX APPEAL BOARD
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022**

A. **FINDING** (Lack of Due Diligence over ERP Transition)

During the prior examination, the Property Tax Appeal Board (Board) lacked due diligence over the transition to the Enterprise Resource Planning (ERP) program. The Board failed to determine if their data had converted appropriately when transitioning to the ERP.

During the current examination, the Board did not implement any additional ERP modules. (Finding Code No. 2020-005)

B. **FINDING** (Delayed Audit Request Responses)

During the prior examination, the Board failed to provide all requested documents to the auditors in a timely manner.

During the current examination, our testing indicated the Board provided significantly more requested information to the auditors in a timely manner. As a result, this finding is not repeated. (Finding Code No. 2020-012)

C. **FINDING** (Inadequate Control over Report Component)

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

During the current examination, the schedules and components within the Board's *Compliance Examination Report* were no longer required. (Finding Code No. 2020-013)